

**Company Registration No.: 200312303R**

**UNIVERSAL RESOURCE AND SERVICES LIMITED  
(Incorporated in Singapore)**

**AND ITS SUBSIDIARIES**

**DIRECTORS' STATEMENT  
AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**31 DECEMBER 2018**

**UNIVERSAL RESOURCE AND SERVICES LIMITED**  
**(Incorporated in Singapore)**

**AND ITS SUBSIDIARIES**

**31 DECEMBER 2018**

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**UNIVERSAL RESOURCE AND SERVICES LIMITED**  
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**DIRECTORS' STATEMENT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

The board of directors of the Company (the “**Board**”) hereby present its statement to the members together with the audited consolidated financial statements of Universal Resource and Services Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the financial year ended 31 December 2018 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2018.

As the underlying books and accounting records of the subsidiaries in the People’s Republic of China (“**PRC**”) could not be located and the management did not have access to the relevant key finance personnel based in the PRC (the “**Limitations**”), this set of financial statements have been prepared on a best effort basis based on information available to the Company and the findings from the Special Audit (Note 20(b)) as announced by the Company on 18 May 2020 (the “**Findings**”).

Subject to the Limitations and the Findings, to the best knowledge and belief of the directors, in the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, cash flows and changes in equity of the Group and the changes in equity of the Company for the financial year ended on that date; and
- (b) based on the information available as at the date of this statement and the assumptions as disclosed in Note 4(b) “Going concern assumption”, as at the date of this statement there are uncertainties as to whether the Group and the Company are able to meet their contractual obligations in the next twelve (12) months as and when they fall due, and consequently, there are uncertainties as to their respective abilities to continue as going concerns for the next twelve (12) months. Notwithstanding the above, the directors have assessed and are of the view that it is appropriate that the financial statements of the Group and Company be prepared on a going concern basis.

**1 Directors**

The directors of the Company in office at the date of this statement are:

Wu Chunlan  
David Chin Yew Choong  
Chow Wai San  
Liu Aizhong

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**2 Arrangements to enable directors to acquire shares or debentures**

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50, none of the directors who held office at the end of the financial year was interested in shares, debentures or share options of the Company or its related corporations, except as follows:

Name of directors and companies in which interests are held	<u>Direct interest</u>		<u>Deemed interest</u>	
	At the beginning of the <u>financial year</u>	At the end of the <u>financial year</u>	At the beginning of the <u>financial year</u>	At the end of the <u>financial year</u>
The Company <u>Share options</u> Wu Chunlan	3,750	-	-	-

There were no changes to the above shareholdings between the end of the financial year and 21 January 2019.

**3 Employee share option scheme**

At an Extraordinary General Meeting (“EGM”) held on 28 January 2008, the shareholders of the Company approved the SKY China Employee Share Option Scheme (now known as Universal Resource and Services Employee Share Option Scheme) (the “ESOS”) for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to eligible directors and employees.

The ESOS was administered by the Remuneration Committee (the “RC”) whose members were:

David Chin Yew Choong (Chairman)  
Chow Wai San  
Liu Aizhong

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**3 Employee share option scheme (cont'd)**

Under the ESOS, options granted to the directors and employees may, except in certain special circumstances, be exercised at any time after the first anniversary of the date of the grant of option and before the fifth and tenth anniversary of the date of the grant of option respectively. The ordinary shares of the Company under option may be exercised in full or in part only in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The exercise price is based on the average of closing prices (“**Market Price**”) of the shares on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the three consecutive trading days immediately preceding the date of grant. The RC may at its discretion fix the exercise price at a discount not exceeding 20 percent to the Market Price.

The ESOS had expired on 27 January 2018.

No options have been granted at a discount since the establishment of the ESOS.

Share options granted

Details of options granted to directors and employees under the ESOS are as follows:

	Options granted for the financial year ended 31 December 2018	Aggregate options granted since commencement of the ESOS to 31 December 2018	Aggregate options exercised since commencement of the ESOS to 31 December 2018	Aggregate options forfeited since commencement of the ESOS to 31 December 2018	Aggregate options outstanding as at 31 December 2018
Wu Chunlan	-	3,750	-	(3,750)	-
<u>Others</u>					
Former directors	-	37,500	(22,500)	(15,000)	-
Employees	-	116,250	(18,750)	(97,500)	-
	-	157,500	(41,250)	(116,250)	-

The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of the Company or any corporation in the Group.

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**3 Employee share option scheme (cont'd)**

Share options granted (cont'd)

There have been no options granted to the controlling shareholders of the Company or their associates (as defined in the Listing Manual of SGX-ST) during the financial year. No individual participant of the ESOS has been granted 5% or more of the total number of options available under the ESOS.

The total number of new shares which may be issued pursuant to the ESOS, when added to the number of shares issued and issuable in respect of all options granted under the ESOS and Universal Resource and Services Performance Share Plan, shall not exceed 15% of the issued shares of the Company from time to time.

No options to take up unissued shares of the Company or its subsidiaries have been granted during the financial year.

Unissued shares under option

The unissued shares of the Company under option at the end of the financial year are as follows:

Date of grant of options	Balance as at 1 January 2018	Granted during the financial year	Exercised during the financial year	Forfeited during the financial year	Balance as at 31 December 2018	Exercise price per share	Number of option holders at 31 December 2018	Exercise period
29 August 2008	3,750	-	-	(3,750)	-	S\$3.30	-	29 August 2009 to 28 August 2018

There are no unissued shares of subsidiaries under option at the end of the financial year.

No shares have been issued during the financial year by virtue of the exercise of the options to take up unissued shares of the Company or its subsidiaries.

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**4 Performance share plan**

On 28 January 2008, the shareholders of the Company at an Extraordinary General Meeting (“EGM”) approved the SKY China Performance Share Plan (now known as Universal Resource and Services Performance Share Plan) (the “PSP”) pursuant to which awards of fully paid-up ordinary shares in the Company can be granted, free of payment, to selected eligible participants, when and after achieving prescribed performance targets and upon expiry of prescribed vesting periods. The awards may be settled by the issue of new shares and/or the delivery of treasury shares and/or payment of the equivalent value in cash to participants in lieu of issuing or delivering shares to the participants or combinations thereof at the sole discretion of the Company.

No awards have been granted under the PSP since its commencement.

The PSP has expired on 27 January 2018.

The total number of new shares which may be issued pursuant to the awards granted under the PSP, when added to the number of shares issued and issuable in respect of all options granted under the ESOS and PSP, shall not exceed 15% of the issued shares of the Company from time to time.

The PSP was administered by the RC of the Company.

**5 Audit committee**

At the date of this report, the Audit Committee (the “AC”) comprises the following members:

Chow Wai San (Chairman)  
David Chin Yew Choong  
Liu Aizhong

The AC carried out its functions to the best of its abilities in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following (where applicable), subject to the Limitations and Findings:

- (a) reviewed the audit plans of the external auditors and internal auditors and results of the auditors' examination and evaluation of the Group's system of internal accounting controls;
- (b) reviewed the Group's financial and operating results and accounting policies;
- (c) reviewed the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company and the external auditors' report on those financial statements before their submission to the Board;

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**5 Audit committee (cont'd)**

- (d) reviewed the quarterly, half-yearly and annual announcements as required under the Listing Manual of SGX-ST;
- (e) assessed the cooperation and assistance given by the management to the Group's internal auditors and external auditors; and
- (f) evaluated the re-appointment of the external auditors.

Subject to the Limitations and Findings, the AC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors and internal auditors have unrestricted access to the AC.

**6 Independent auditors**

The independent auditors, Moore Stephens LLP, have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board



.....  
WU CHUNLAN



.....  
LIU AIZHONG

Singapore  
11 December 2023



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**UNIVERSAL RESOURCE AND SERVICES LIMITED**  
**(Incorporated in Singapore)**

**Report on the audit of the financial statements**

**Disclaimer of opinion**

We were engaged to audit the accompanying financial statements of Universal Resource and Services Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which comprise the statements of financial position of the Group and the Company as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements. The matters described in the “Basis for disclaimer of opinion” section of our report are significant and we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Basis for disclaimer of opinion**

We expressed a disclaimer opinion in our independent auditor’s report dated 28 July 2023 on the financial statement of the Group for the financial year ended 31 December 2017 due to the following matters:

1. Limitation of scope on the audit of the Group’s subsidiaries in the People’s Republic of China (“**PRC**”) (“**PRC Subsidiaries**”); and
2. Appropriateness of the going concern assumption.

Our current year audit opinion is also modified as the above-mentioned matters are not resolved and there is a possible effect of the comparability of the current year’s figures and the corresponding figures in addition to the impact on the financial statements for the year ended 31 December 2018.

We provide an update on the aforementioned matters as follows:

(i) Limitation of scope on the audit of the PRC subsidiaries in PRC

As disclosed in Note 4(a) to the financial statements, the underlying books and accounting records of the PRC Subsidiaries could not be located and the management still did not have access to the relevant key finance personnel based in the PRC (the “**Limitations**”). As such, we were not provided with the necessary information and explanations that we considered necessary, nor were we able to carry out alternative audit procedures, to obtain sufficient and appropriate audit evidence over the financial information of the PRC Subsidiaries for the financial year ended 31 December 2018, as well as the comparatives being the financial year ended 31 December 2017.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
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**Basis for disclaimer of opinion (cont'd)**

(ii) Appropriateness of the going concern assumption

As disclosed in Note 4(b) to the financial statements, the Group and the Company incurred a net loss and total comprehensive loss of S\$642,000 for the financial year ended 31 December 2018 (2017: net loss and total comprehensive loss of S\$472,000). As at 31 December 2018, the Group's and the Company's capital deficiency and net current liabilities amounted to S\$1,136,000 and S\$1,136,000 respectively (31 December 2017: S\$708,000 and S\$708,000 respectively), and the cash and cash equivalents of the Group and the Company amounted to S\$280,000 (31 December 2017: S\$218,000). The Group also had a net cash outflow in operating activities of S\$152,000 (2017: S\$266,000) for the financial year ended 31 December 2018.

The above conditions indicate the existence of material uncertainties that may cast doubt on the abilities of the Group and Company to continue as going concerns and to realise their assets and discharge their liabilities in the normal course of business. Notwithstanding the above, the board of directors is of the opinion that the use of the going concern assumption for the Group and Company is appropriate for the preparation and presentation of these financial statements for the financial year ended 31 December 2018 for the reasons disclosed in Note 4(b) to the financial statements.

However, based on the information made available to us, we were unable to obtain sufficient audit evidence to conclude on the appropriateness of the going concern assumption used in the preparation of the financial statements.

In the event that the Group and the Company are unable to continue as going concerns, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the statements of financial position. No such adjustments have been made to these financial statements.

**Responsibilities of management and directors for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's and the Company's abilities to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and or the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.



**MOORE**

**MOORE STEPHENS LLP**  
CHARTERED ACCOUNTANTS OF SINGAPORE

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
UNIVERSAL RESOURCE AND SERVICES LIMITED  
(Incorporated in Singapore)**

**Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company in accordance with Singapore Standards on Auditing ("SSAs") and to issue an auditor's report. However, because of the matters described in the "Basis for disclaimer of opinion" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

**Report on other legal and regulatory requirements**

In our opinion, in view of the significance of the matters referred to in the "Basis for disclaimer of opinion" section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lao Mei Leng.

**Moore Stephens LLP**  
Public Accountants and  
Chartered Accountants

Singapore  
11 December 2023

**UNIVERSAL RESOURCE AND SERVICES LIMITED**  
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**AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Note	2018 S\$'000	2017 S\$'000
<b>Revenue</b>		-	-
Cost of services		-	-
<b>Gross profit</b>		-	-
Administrative expenses		(642)	(473)
<b>Loss before income tax</b>		(642)	(473)
Income tax credit	6	-	1
<b>Loss after income tax</b>		(642)	(472)
<b>Loss for the financial year and total comprehensive loss for the financial year attributable to owners of the Company</b>	7	(642)	(472)
		<b>Singapore cent</b>	<b>Singapore cent</b>
Loss per share attributable to owners of the Company - basic and diluted	8	(2.67)	(1.96)

The accompanying notes form an integral part of the financial statements

**UNIVERSAL RESOURCE AND SERVICES LIMITED**  
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**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2018**

	Note	Group		Company	
		2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
<b>ASSETS</b>					
<b>Non-current asset</b>					
Subsidiaries	9	-	-	-	-
<b>Current assets</b>					
Trade and other receivables	10	-	1	-	1
Prepayments		7	5	7	5
Cash and cash equivalents	11	280	218	280	218
		287	224	287	224
<b>Total assets</b>		<b>287</b>	<b>224</b>	<b>287</b>	<b>224</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	12	68,642	68,642	68,642	68,642
Reserves	13	(69,778)	(69,350)	(69,778)	(69,350)
<b>Capital deficiency attributable to owners of the Company</b>		<b>(1,136)</b>	<b>(708)</b>	<b>(1,136)</b>	<b>(708)</b>
<b>Current liabilities</b>					
Accruals	14	1,168	677	1,168	677
Advances from a third party	15	255	255	255	255
		1,423	932	1,423	932
<b>Total liabilities</b>		<b>1,423</b>	<b>932</b>	<b>1,423</b>	<b>932</b>
<b>Total equity and liabilities</b>		<b>287</b>	<b>224</b>	<b>287</b>	<b>224</b>

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**UNIVERSAL RESOURCE AND SERVICES LIMITED**  
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**STATEMENT OF CHANGES IN EQUITY**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

<u>Group and Company</u>	Note	<u>Attributable to owners of the Company</u>			
		Share capital S\$'000	Share option reserve S\$'000	Accumulated losses S\$'000	Total capital deficiency S\$'000
<b>Balance as at 1 January 2017</b>		68,642	7	(69,099)	(450)
Refund of unclaimed dividend	13	-	-	214	214
Loss for the financial year and total comprehensive loss for the financial year		-	-	(472)	(472)
<b>Balance as at 31 December 2017</b>		<b>68,642</b>	<b>7</b>	<b>(69,357)</b>	<b>(708)</b>
<b>Balance as at 1 January 2018</b>		68,642	7	(69,357)	(708)
Refund of unclaimed dividend	13	-	-	214	214
Transfer from share option reserve	13	-	(7)	7	-
Loss for the financial year and total comprehensive loss for the financial year		-	-	(642)	(642)
<b>Balance as at 31 December 2018</b>		<b>68,642</b>	<b>-</b>	<b>(69,778)</b>	<b>(1,136)</b>

The accompanying notes form an integral part of the financial statements

**UNIVERSAL RESOURCE AND SERVICES LIMITED**  
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**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE FINANCIAL YEAR ENDED**

**31 DECEMBER 2018**

	Note	2018 S\$'000	2017 S\$'000
<b>Cash flows from operating activities</b>			
Loss before income tax and operating cash flows before working capital changes		(642)	(473)
Changes in working capital:			
Accruals		491	192
Other receivables		1	15
Prepayments		(2)	-
<b>Cash flows used in operations and net cash used in operating activities</b>		<b>(152)</b>	<b>(266)</b>
<b>Cash flows from financing activity</b>			
Advances from a third party		-	255
Refund of unclaimed dividend	13	214	214
<b>Net cash generated from financing activity</b>		<b>214</b>	<b>469</b>
<b>Net increase in cash and cash equivalents</b>		62	203
<b>Cash and cash equivalents at the beginning of the financial year</b>		218	15
<b>Cash and cash equivalents at the end of the financial year</b>	11	<b>280</b>	<b>218</b>

The accompanying notes form an integral part of the financial statements

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

These notes form an integral part of and should be read in conjunction with the accompanying financial statements:

**1 General**

Universal Resource and Services Limited (the “**Company**”) is a public limited liability company incorporated and domiciled in Singapore. The Company is listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The trading of the Company’ shares on SGX-ST was voluntarily suspended since 16 February 2017.

The Company’s registered office and principal place of business is located at 10 Collyer Quay #10-01, Ocean Financial Centre, Singapore 049315.

The principal activity of the Company is that relating to investment holding. The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

The board of directors of the Company (the “**Board**”) has authorised the issue of the financial statements of the Company and its subsidiaries (the “**Group**”) on the date of the directors’ statement.

**2 Application of Singapore Financial Reporting Standard (International) (“SFRS(I)s”)**

The Group has adopted SFRS(I) on 1 January 2018 and has prepared its first set of financial statements under SFRS(I) for the financial year ended 31 December 2018. As a result, the audited financial statements for the year ended 31 December 2017 was the last set of financial statements prepared under the previous Financial Reporting Standards in Singapore (“**FRS**”).

In adopting SFRS(I), the Group is required to apply all the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with each SFRS(I) effective at the end of the current reporting period. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

**(a) Optional exemptions applied on adoption of SFRS(I)**

For first-time adopters, SFRS(I) 1 allows the exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- (i) SFRS(I) 3 *Business Combinations* has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous FRS financial statements has been adopted.



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**2 Application of Singapore Financial Reporting Standard (International) (“SFRS(I)s”) (cont’d)**

**(a) Optional exemptions applied on adoption of SFRS(I) (cont’d)**

- (ii) SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under FRS 21.
- (iii) The Group elected the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the information for 2017 is presented, as previously reported, under FRS 39 Financial Instruments: Recognition and Measurement. Arising from this election, the Group is exempted from complying with SFRS(I) 7 Financial Instruments: Disclosures to the extent that the disclosures as required by SFRS(I) 7 to items within the scope of SFRS(I) 9.

No reconciliation of the Group’s and the Company’s equity and Group’s total comprehensive income is shown as the adoption of SFRS(I) 1 did not have significant impact on the financial statement as described below:

**(I) SFRS(I) 1**

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective at the end of the current reporting period on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1.

The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

**(II) SFRS(I) 15**

SFRS(I) 15 *Revenue from Contracts with Customers* establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The application of the SFRS(I) 15 did not have significant impact on the Group’s financial performance as the Group did not have any revenue since financial year ended 31 December 2014.

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2 Application of Singapore Financial Reporting Standard (International) (“SFRS(I)s”) (cont’d)

(a) Optional exemptions applied on adoption of SFRS(I) (cont’d)

(III) SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new “Expected Credit Loss” (“ECL”) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, requirements of FRS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 December 2017 (Note 4(e)). Additionally, the Group is exempted from complying with SFRS(I) 7 for the comparative period to the extent that the disclosures required by the SFRS(I) 7 relate to the items within scope of SFRS(I) 9. As a result, the requirements under FRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9.

The adoption of SFRS(I) 9 has not had a significant effect on the Group’s accounting policies for financial liabilities.

The impact upon the adoption of SFRS(I) 9 as well as the new requirements are described below.

(i) Classification of financial assets and financial liabilities

The following are the qualitative information regarding the reclassification between categories of financial instruments at the date of initial application of SFRS(I) 9.

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, Fair Value Through Other Comprehensive Income (“FVOCI”) (debt instrument), FVOCI (equity instrument); or Fair Value Through Profit and Loss (“FVPL”). The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

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**2 Application of Singapore Financial Reporting Standard (International) (“SFRS(I)s”) (cont’d)**

**(a) Optional exemptions applied on adoption of SFRS(I) (cont’d)**

**(III) SFRS(I) 9 (cont’d)**

**(i) Classification of financial assets and financial liabilities (cont’d)**

On the date of initial application of SFRS(I) 9 on 1 January 2018, the following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group’s financial assets and financial liabilities as at 1 January 2018:

	Note	Group		Carrying amount		Differences S\$’000
		Measurement category		FRS 39	SFRS(I) 9	
		FRS 39	SFRS(I) 9	S\$’000	S\$’000	
<u>Current financial assets</u>						
Trade and other receivables*	(a)	Loans and receivables (amortised cost)	Amortised cost	1	1	-
Cash and bank balances		Loans and receivables (amortised cost)	Amortised cost	218	218	-
<u>Current financial liabilities</u>						
Accruals**		Financial liabilities (amortised cost)	Amortised cost	677	677	-
Advances from a third party		Financial liabilities (amortised cost)	Amortised cost	255	255	-

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**2 Application of Singapore Financial Reporting Standard (International) (“SFRS(I)s”) (cont’d)**

**(a) Optional exemptions applied on adoption of SFRS(I) (cont’d)**

**(III) SFRS(I) 9 (cont’d)**

**(ii) Impairment of financial assets**

SFRS(I) 9 replaces the “incurred loss” model in FRS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and intra-group financial guarantee contracts, but not to equity investments. The adoption of the new impairment model under SFRS(I) does not affect the carrying amount of the intra-group financial guarantee contracts at 1 January 2018, as there was no intra-group financial guarantee contracts.

As a result of the adoption of SFRS(I) 9, there is no significant impact as the Group does not incur any allowance of impairment loss.

The Group has applied the simplified impairment approach to recognise only lifetime ECL impairment charges on all trade and other receivables that arise from SFRS(I) 15. Based on the assessment made, there was no allowance of impairment loss on trade and other receivables recognised in the accumulated losses of the Group and the Company as at 1 January 2018 on transition to SFRS(I) 9.

**(b) Impact on the Statement of Cash Flows**

There were no material adjustments to the Group’s consolidated statement of cash flows arising from the transition from FRS to SFRS(I) and the initial application of SFRS(I) 9 and SFRS(I) 15.

**(c) Impact on Company’s and Group’s opening balances**

The Company’s and Group’s opening balance sheet was prepared as at 1 January 2017, which was the Company’s and Group’s date of transition to SFRS(I). There was no material impact to the Company’s and Group’s opening balances on adoption of SFRS(I).

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**3 New/Revised SFRS(I) and SFRS(I) INTs which are issued but not yet effective**

At the date of authorisation of these financial statements, the following standard have been issued and are relevant to the Group and Company but not yet effective:

Description	Effective for annual periods beginning on or after	
SFRS(I) 16	<i>Leases</i>	1 January 2019
SFRS(I) INT 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019
SFRS(I) 9	<i>Amendments to SFRS(I) 9: Prepayment Features with Negative Compensation</i>	1 January 2019
	<i>Annual Improvements to SFRS(I)s 2015-2017 Cycle</i>	1 January 2019

The Group expects that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

**4 Significant accounting policies**

(a) Basis of preparation

The financial statements are prepared in accordance with SFRS(I) including related interpretations promulgated by the Accounting Standards Council. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollar (S\$) which is the Company's functional currency. All financial information is presented in Singapore dollar (S\$) and rounded to the nearest thousand (S\$'000), unless otherwise stated.

As the underlying books and accounting records of the subsidiaries in the People's Republic of China ("PRC") could not be located and the management did not have access to the relevant key finance personnel based in the PRC (the "Limitations"), this set of financial statements have been prepared on a best effort basis based on information available to the Company and the findings from the Special Audit (Note 20(b)) as announced by the Company on 18 May 2020 (the "Findings").

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**4 Significant accounting policies (cont'd)**

**(b) Going concern assumption**

The Group and the Company incurred a net loss and total comprehensive loss of S\$642,000 for the financial year ended 31 December 2018. As at 31 December 2018, the Group's and the Company's capital deficiency and net current liabilities amounted to S\$1,136,000 and the cash and cash equivalents of Group and the Company amounted to S\$280,000. The Group also had a net cash outflow in operating activities of S\$152,000 for the financial year ended 31 December 2018.

The above conditions indicate the existence of material uncertainties that may cast doubt on the abilities of the Group and Company to continue as going concerns and to realise their assets and discharge their liabilities in the normal course of business. Notwithstanding the above, the Board is of the opinion that the use of going concern assumption for the Group and Company is appropriate for the preparation and presentation of this financial statements for the financial year ended 31 December 2018 for the following reasons:

- (i) as at 31 December 2018, taking into account the Group's resources, the Group and the Company have no bank loans and the Group and the Company have undertaken effective cost controlling measures which reduced cash outflow to a minimum. These measures included, amongst others, the deferment of the payment of the independent directors' fees, reducing the Chief Executive Officer cum executive director pay to zero and obtaining an informal understanding from all services providers to delay payments due to them; and
- (ii) based on the review of accruals, the Board believes that the Group and the Company have adequate working capital and financial resources which will enable the Group and the Company to pay their liabilities as and when they fall due and continue as going concerns for twelve (12) months from the date of this set of financial statements.

In the event that the Group and the Company are unable to continue as going concerns, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the statements of financial position. No such adjustments have been made to these financial statements.

**(c) Consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

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**4 Significant accounting policies (cont'd)**

**(c) Consolidation (cont'd)**

All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Group controls an investee if and only if the Group has all of the following:

- (i) power over the investee;
- (ii) exposure, or rights or variable returns from its involvement with the investee; and
- (iii) the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)).

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of profit or loss and other comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

**(d) Subsidiaries**

In the Company's statement of financial position, subsidiaries are stated at cost less allowance for impairment losses on an individual subsidiary basis.

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**4 Significant accounting policies (cont'd)**

**(e) Financial assets**

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at FVPL, FVOCI (debt instruments), FVOCI (equity instruments) and amortised cost. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the end of the reporting period with the exception that a financial asset shall not be reclassified into or out of the FVPL category while it is held or issued.

All financial assets are recognised on their trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at FVPL, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The Company and the Group does not hold any financial assets at FVPL, FVOCI (debt instruments) and FVOCI (equity instruments).

**(f) Cash and cash equivalents**

Cash and cash equivalents comprise cash in banks.

**(g) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.



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**4 Significant accounting policies (cont'd)**

**(h) Financial liabilities**

The Group's financial liabilities comprise accruals and advances from a third party.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in "finance cost" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Accruals and advances from a third party are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

**(i) Income taxes**

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

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**4 Significant accounting policies (cont'd)**

**(i) Income taxes (cont'd)**

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity.

**(j) Employee benefits**

Employee share option scheme

The Company has an employee share option plan for the granting of non-transferable options.

The Group issues equity-settled share-based payments to certain directors and employees. The fair value of services received in exchange for the grant of options is recognised as an expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under option that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under option that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve is credited to the share capital account when new ordinary shares are issued.

The share option reserve is transferred to retained earnings upon expiry of the options.

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**4 Significant accounting policies (cont'd)**

**(j) Employee benefits (cont'd)**

Performance share plan

The cost of equity-settled transactions is determined by the fair value at the date when the award is made using an appropriate valuation model.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the participant. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

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**4 Significant accounting policies (cont'd)**

(k) Related parties

A related party is defined as follows:

- (i) A person or a close member of that person's family is related to the Group and the Company if that person:
  - (I) has control or joint control over the Company;
  - (II) has significant influence over the Company; or
  - (III) is a member of the key management personnel of the Group or the Company or of a parent of the Company.
- (ii) An entity is related to the Group and the Company if any of the following conditions applies:
  - (I) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (II) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (III) both entities are joint ventures of the same third party;
  - (IV) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (V) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
  - (VI) the entity is controlled or jointly controlled by a person identified in (i); or
  - (VII) a person identified in (i)(I) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain management executives are considered key management personnel.

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**4 Significant accounting policies (cont'd)**

**(l) Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss recognised for a cash-generating unit is charged *pro rata* to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

An impairment loss is charged to profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is recognised as income in profit or loss.

**(m) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent.

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**4 Significant accounting policies (cont'd)**

(n) Functional currencies

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates i.e. the functional currency. The financial statements of the Group and the Company are presented in Singapore dollar, which is also the functional currency of the Company.

(o) Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency i.e. foreign currency are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

When a foreign operation is disposed of, the accumulated currency translation differences related to the foreign operation is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign currency gains and losses are reported on a net basis as either other income or expenses depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

Group entities

The results and financial positions of all the entities (none of which has the currency of a hyperinflationary economy) within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the end of each reporting period;
- (ii) income and expenses for each statement of profit or loss and other comprehensive income (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and
- (iii) all resulting currency translation differences are recognised as other comprehensive income in the exchange fluctuation reserve in equity.

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**4 Significant accounting policies (cont'd)**

(p) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all potentially dilutive ordinary shares, which comprise outstanding share options and share awards.

**5 Critical accounting judgements and key sources of estimation uncertainty**

(a) Significant accounting estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Other than the Limitations and "Going concern assumption" as disclosed in Note 4(a) and 4(b) respectively, there were no other critical accounting estimates and assumptions used and areas involving a high degree as at the reporting date.

**6 Income tax**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Over-provision for prior years	-	(1)

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**6 Income tax (cont'd)**

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate in Singapore for the respective financial years are as follow:

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Relationship between tax expense and accounting loss</b>		
Loss before taxation	(642)	(473)
Tax calculated using Singapore tax rate at 17 % (2017: 17%)	(109)	(80)
Tax effect on non-deductible expenses	109	80
Over-provision for prior years	-	(1)
	-	(1)

**7 Loss for the financial year**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Loss for the year has been arrived at after charging:		
Directors' fees	185	185
Non-audit fees paid to auditors	100	8
Audit fees	35	35

**8 Loss per Share**

The basic and diluted loss per share were calculated as follows:

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
Loss attributable to ordinary shareholders (S\$'000)	(642)	(472)
Weight average number of ordinary shares during the financial year ('000)	24,086	24,086
Loss per share attributable to ordinary shareholders (Singapore cent)	(2.67)	(1.96)

The basic and diluted loss per share were the same for both financial years as the outstanding share options were anti-dilutive.



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**9 Subsidiaries**

	<b>Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<u>Unquoted equity investments and amounts from subsidiaries (non-trade) at cost</u>		
As at 1 January and 31 December	32,097	32,097
<u>Allowance for impairment losses</u>		
As at 1 January and 31 December	32,097	32,907
Carrying amount	-	-

Details of the subsidiaries are:

<b>Name of Subsidiaries (Country of incorporation/ Principal place of business)</b>	<b>Principal activities</b>	<b>Percentage of equity held</b>	
		<b>2018</b>	<b>2017</b>
		%	%
<u>Held by the Company</u>			
SKY Petroleum Technology Development (Tianjin) Co., Ltd (“SKY Tianjin”) <sup>1</sup> (PRC)	Dormant	100	100
<u>Held by SKY Tianjin</u>			
Renqiu Kai Yuan Petroleum Technology Development Co., Ltd (“Kai Yuan”) <sup>1</sup> (PRC)	Dormant	100	100

Notes

1 Due to the Limitations, the financial statements were not audited.

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**10 Trade and other receivables**

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Deposits	-	1

The balances are denominated in Singapore dollar, non-trade in nature, unsecured, interest-free and repayable on demand. There is no allowance for impairment arising from the outstanding balances.

Balances are not past due. There are no balances which are past due but not impaired at the end of the financial year.

**11 Cash and cash equivalents**

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Cash in bank	280	218

Cash and cash equivalents are denominated in Singapore dollar.

**12 Share capital**

	<b>Group and Company</b>			
	<b>2018</b>		<b>2017</b>	
	<b>No. of shares '000</b>	<b>S\$'000</b>	<b>No. of shares '000</b>	<b>S\$'000</b>
<u>Issued and fully paid</u>				
As at 1 January and 31 December	24,086	68,642	24,086	68,642

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets.

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**13 Reserves**

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Accumulated losses	(69,778)	(69,357)
Share option reserve	-	7
	(69,778)	(69,350)

Share option reserve

Share option reserve represents the equity-settled share options granted to the participants of the ESOS. The reserve is made up of the cumulative value of services received from participants of the ESOS recorded on grant of equity-settled share options.

During the financial year ended 31 December 2018 S\$7,000 (2017: S\$159,000) was transferred from the share option reserve to accumulated losses due to forfeiture of share options previously granted.

Refund of unclaimed dividend

During the financial year ended 31 December 2018, the Company obtained S\$214,000 (2017: S\$214,000) in refund of unclaimed dividends previously declared by the Company for the year 2012 (2017: 2011 and 2010).

**14 Accruals**

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Directors' fee	517	332
Accrued expenses	651	345
	1,168	677

Accruals are all denominated in Singapore dollar, non-interest bearing and repayable on demand.

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**15 Advances from a third party**

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Advances	255	255

On 19 May 2017, the Company and a third party entered into a financial support agreement to formalise S\$30,000 previously provided by the third party to the Company to meet its operating cash flow requirements and an additional S\$220,000 to support the payment of the Company's operating expenses and working capital requirements (the "**Financial Support Agreement**"). Subsequent to the entry into the Financial Support Agreement, the Company's payment obligations increased by S\$5,000 beyond the sum of S\$250,000 provided under the Financial Support Agreement and the third party extended in total S\$255,000 to the Company (by mutual agreement). These advances are denominated in Singapore dollar, unsecured, interest-free and repayable on demand.

**16 Equity-settled share-based payment transactions**

Share option scheme

The Company has a share option scheme for employees of the Group (the "**ESOS**"). The ESOS is administered by the Remuneration Committee (the "**RC**"). Options are exercisable at a price based on the average of the last done prices of the shares of the Company on the SGX-ST for the three consecutive trading days preceding the date of grant. The RC may at its discretion fix the exercise price at a discount not exceeding 20% to the above price. The vesting period is one year from the date of grant. If the options remain unexercised after a period of five years for non-executive directors and ten years for employees from the date of grant, the options shall expire. Options are forfeited if any director or employee ceases to be under appointment or employment of the Company or any of the companies within the Group before the options vest.

There has been no cancellation or modification to the share option scheme during the financial year.

The ESOS had expired on 27 January 2018.

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**16 Equity-settled share-based payment transactions (cont'd)**

Share option scheme (cont'd)

Information with respect to the number and weighted average exercise price of options granted under the share option scheme is as follows:

	2018		2017	
	No. of options	Weighted average exercise price S\$	No. of options	Weighted average exercise price S\$
Outstanding and exercisable at the end of the financial year	-	-	3,750	3.30

No share options were granted, exercised or cancelled during the financial year.

As at 31 December 2017, the options outstanding at the end of the financial year have an exercise price of S\$3.30 and a weighted average remaining contractual life of 0.7 year.

The grant date fair value of options granted under the ESOS remained unchanged during the financial year as the vesting period of options granted under the ESOS had ended in 2010 and no new options were granted since then.

The fair value of options granted under the ESOS was measured based on the Binomial pricing model. Expected volatility was estimated by considering the historical volatility of the Company's share price over the period commensurate with the expected term.

**17 Operating segments**

As at 31 December 2018 and 31 December 2017, in view of the Findings, the Group only has a single segment, being the corporate segment relating to Company's operation in Singapore. Hence, segmental information is not separately disclosed.

**18 Financial risk management objectives and policies**

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and risk management philosophy. The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

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**18 Financial risk management objectives and policies (cont'd)**

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations in interest rates and foreign exchange.

**(a) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.

The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

The Group evaluates whether there is any objective evidence that trade and other receivables are impaired, and determines the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the receivable balances, creditworthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade and other receivables from the date credit was initially granted up to the end of the reporting period.

The Group establishes an allowance for ECL that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

An allowance ECL in respect of trade and other receivables is used to record expected credit losses unless the Group is satisfied that no recovery of the amount owing is possible. When the financial asset is considered irrecoverable, the carrying amount of the credit impaired financial asset is written off against the amount standing in the ECL allowance account or the profit or loss in the absence of such allowance account.

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**18 Financial risk management objectives and policies (cont'd)**

(a) Credit risk (cont'd)

Exposure to credit risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The Group's and the Company's major classes of financial assets are cash in bank and trade and other receivables. Cash is placed with established financial institutions with good credit standing. Further details of credit risks on trade and other receivables are disclosed in Note 9.

The Group and the Company have minimal exposure to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulties meeting commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may also result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily due to losses incurred which depleted their cash balances.

The Group's and the Company's financial liabilities comprising accruals and advances from a third party with contractual undiscounted cash flows approximating the carrying amount which mature in less than one year.

The Group and the Company maintain sufficient level of cash and cash equivalents to meet its working capital requirements; obtain debt or equity financing (where possible) and, if required, seek indulgences from their creditors to delay payment of sum due to them.

The risk relating to going concern of the Group and the Company are disclosed in Note 4(b).

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and the Company have minimal exposure to interest rate risk as the trade and other receivables, cash at bank, accruals and advances from a third party are not interest-bearing.

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**18 Financial risk management objectives and policies (cont'd)**

(d) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group and the Company have minimal exposure to foreign currency as the trade and other receivables, cash at bank, accruals and advances from a third party are denominated in Singapore dollar.

(e) Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group and the Company do not hold any quoted or marketable financial instruments, hence, are not exposed to any movement in market prices.

(f) Fair values

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

The Group and the Company do not anticipate that the carrying amounts recorded at the end of the financial year would be significantly different from the values that would eventually be received or settled.

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, comprising trade and other receivables, cash and cash equivalents, accruals and advances from a third party, are assumed to approximate their fair values.

**19 Capital management**

The Group's and the Company's objectives when managing capital are:

- (a) to safeguard the Group's and the Company's abilities to continue as going concerns;
- (b) to support the Group's and the Company's stability and growth;
- (c) to provide capital for the purpose of strengthening the Group's and the Company's risk management capabilities; and
- (d) to provide an adequate return to shareholders.



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**19 Capital management (cont'd)**

The Group and the Company actively and regularly review and manage their capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company, their capital efficiencies, prevailing and projected performance, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital and net debt. Net debt comprises accruals and advances from a third party, less cash and cash equivalents. Total capital represents equity attributable to owners of the Company.

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Net debt	1,143	714
Total capital and net debt	7	6
Gearing ratio	163	119

**20 Subsequent Events**

- (a) On 12 February 2020, the Company announced that it has incorporated a wholly-owned subsidiary in Singapore known as URS Equipment Services Pte. Ltd. ("URS Equipment") with a registered capital of USD1.

URS Equipment will be principally engaged in the businesses of provision of value added services in the supply of oil and gas field equipment.

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**20 Subsequent Events (cont'd)**

- (b) On 18 May 2020, the Company announced that Moore Stephens LLP has completed the Special Audit and submitted its report (the “**Special Audit Report**”). An executive summary of the Special Audit Report was released with the said announcement. The Special audit was convened to:
- (i) investigate the irregularities in the cash and bank balances reported by Moore Stephens LLP Chartered Accountants of Singapore and also investigate the credit and debit entries in the bank accounts of the PRC Subsidiaries; and
  - (ii) identify and investigate any other questionable matters and transactions other than those mentioned in item (i) above, including without limitation, the acquisition of drilling equipment as announced by the Company on 20 June 2014, the proposed acquisition of 57.64% of Hongkong New Wing Energy Development Company Limited as announced by the Company on 12 January 2015 and the acquisition of second hand drilling equipment and machines as announced by the Company on 31 August 2015.
- (c) On 15 September 2020, the Company announced that due to the outbreak of the COVID-19, the Company had submitted an application for a further extension of time to submit its Resumption Of Trading Proposal by 14 September 2021.
- (d) On 30 March 2021, the Company announced that
- (i) on or about 25 August 2020, the Company received a letter from the Accounting and Corporate Regulatory Authority (“ACRA”) noting that the Company had not held its AGMs or filed its annual returns since FY2016 which is in contravention of Sections 175 and 197 of the Singapore Companies Act (Chapter 50). The Company had on 16 September 2020 made an application to ACRA to request an extension of time for the Company to comply with Sections 175 and 197 of the Companies Act for the financial years ended 31 December 2016 to 2019; and
  - (ii) the Company has engaged Beijing Tianzhi Certified Tax Agents Co., Ltd., a member firm of the Baker Tilly network, to assist with the striking off of the Company’s PRC Subsidiaries.

In relation to (i) above, on 14 February 2022, the Company was fined S\$4,000.

In relation to (ii) above, Kai Yuan and SKY Tianjin were dissolved on 2 September 2021 and 5 May 2022 respectively.

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**20 Subsequent Events (cont'd)**

- (e) On 7 January 2022, the Company announced that an application was made to the SGX-ST to:
- (i) request for the approval of appointment of the Company's new statutory auditors;
  - (ii) apply for extensions of time to:
    - submit the Resumption Of Trading Proposal;
    - announce the Company's full year financial statements for the financial years ended 31 December 2016 to 2021 ("FY2016 to FY2021");
    - and to announce the Company's financial statements for the first three quarters of the financial year ended 31 December 2022 (if required); and
  - (iii) apply for waivers from the requirement to:
    - announce the Company's unaudited financial statements for each of its first three quarters in FY2016 to FY2021; and
    - to issue the Company's sustainability reports for financial year ended 31 December 2017 to 2021.
- (f) On 28 April 2022, the Company announced that it intends to seek approval from the Company's shareholders to change its auditors from Foo Kon Tan LLP to Moore Stephens LLP ("MS") for the financial year ended 31 December 2016.
- Pursuant to the extraordinary meeting of held on 26 July 2022, MS was appointed as auditors of the Company.
- (g) Pursuant to the findings of the Special Audit, on 11 January 2023, the Company released the revised financial statements for the financial year ended 31 December 2015 dated 31 October 2022 in accordance with the Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulations 2018.