Universal Resource and Services Limited
(Company Registration No: 200312303R)

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL-YEAR RESULTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group					
		For the 3 months ended			For the 9 months ended		
	Note	30-Sep-16	30-Sep-15	Changes	30-Sep-16	30-Sep-15	Changes
		S$'000	S$'000	%	S$'000	S$'000	%
CONTINUING OPERATIONS							
Revenue		**-**	-	N.M	**-**	11,361	(100.0)
Cost of services		**-**	-	N.M	**-**	(7,927)	(100.0)
Gross profit		**-**	-		**-**	3,434	(100.0)
Interest income		**7**	75	(90.7)	**26**	330	(92.1)
Administrative expenses		**(355)**	(660)	(46.2)	**(1,156)**	(1,841)	(37.2)
Other expenses		**(389)**	(8,527)	(95.4)	**(1,186)**	(10,409)	(88.6)
Loss before income tax	(a)	**(737)**	(9,112)	(91.9)	**(2,316)**	(8,486)	(72.7)
Income tax (expense) written back		**(2)**	476	N.M	**(6)**	144	N.M
Loss from continuing operations, net of tax		**(739)**	(8,636)	(91.4)	**(2,322)**	(8,342)	(72.2)
DISCONTINUED OPERATIONS							
Loss from discontinued operations, net of tax		**-**	(5)	(100.0)	**-**	(262)	(100.0)
Loss attributable to equity holders of the Company		**(739)**	(8,641)	(91.4)	**(2,322)**	(8,604)	(73.0)
Other comprehensive gain, after tax:							
Items that may be reclassified subsequently to profit or loss							
Currency translation on consolidation		**603**	4,304	(86.0)	**(5,165)**	8,156	N.M
Total comprehensive loss for the financial period and total comprehensive loss attributable to owners		**(136)**	(4,337)	(96.9)	**(7,487)**	(448)	1,571.2
Net loss attributable to:							
Owners of the parent		**(739)**	(8,641)	(91.4)	**(2,322)**	(8,604)	(73.0)
- from continuing operations, net of tax		**(739)**	(8,636)	(91.4)	**(2,322)**	(8,342)	(72.2)
- from discontinued operations, net of tax		**-**	(5)	(100.0)	**-**	(262)	(100.0)
		(739)	(8,641)	(91.4)	**(2,322)**	(8,604)	(73.0)
Total comprehensive loss attributable to:							
Owners of the parent		**(136)**	(4,198)	(96.8)	**(7,487)**	(448)	1,571.2
- from continuing operations, net of tax		**(136)**	(4,201)	(96.8)	**(7,487)**	(202)	3,606.4
- from discontinued operations, net of tax		**-**	3	(100.0)	**-**	(246)	(100.0)
Non-controlling interests		**-**	(139)	(100.0)	**-**	-	N.M
- from continuing operations, net of tax		**-**	(139)	(100.0)	**-**	-	N.M
- from discontinued operations, net of tax		**-**	-	N.M	**-**	-	N.M
		(136)	(4,337)	(96.9)	**(7,487)**	(448)	1,571.2

These figures have not been audited.
N.M: Not meaningful

(a) Loss before income tax

Loss before income tax was arrived at after charging (crediting) the following items:

	Group					
	For the 3 months ended			For the 9 months ended		
	30-Sep-16	30-Sep-15	Changes	30-Sep-16	30-Sep-15	Changes
	S$'000	S$'000	%	S$'000	S$'000	%
Depreciation of plant and equipment:						
- accounted for as depreciation for temporarily non-revenue generating plant and equipment	**390**	4,219	(90.8)	**1,187**	6,101	(80.5)
- accounted for as cost of services	**-**	-	N.M	**-**	7,791	(100.0)
- accounted for as administrative expenses	**-**	-	N.M	**-**	4	(100.0)
Total depreciation	**390**	**4,219**	(90.8)	**1,187**	13,896	(91.5)
Allowance for impairment of trade receivables	**-**	4,308	(100.0)	**-**	4,308	(100.0)
Net foreign exchange loss (gain)	**8**	5	60.0	**(54)**	11	(590.9)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30-Sep-16 S$'000	31-Dec-15 S$'000	30-Sep-16 S$'000	31-Dec-15 S$'000
ASSETS				
Non-current assets				
Plant and equipment	**6,437**	8,093	**-**	1
Subsidiaries	**-**	-	**14,017**	14,017
	6,437	8,093	**14,017**	14,018
Current assets				
Trade and other receivables	**62,308**	66,382	**10,243**	10,134
Prepayments	**18**	16	**18**	16
Cash and cash equivalents	**9,176**	10,508	**34**	130
	71,502	76,906	**10,295**	10,280
Total assets	**77,939**	84,999	**24,312**	24,298
EQUITY AND LIABILITIES				
EQUITY				
Share capital and reserves				
Share capital	**68,642**	68,080	**68,642**	68,080
Reserves	**1,417**	8,904	**(46,415)**	(45,700)
Total equity	**70,059**	76,984	**22,227**	22,380
LIABILITIES				
Non current liability				
Deferred tax liabilities	**3,097**	3,002	**-**	-
Current liabilities				
Other payables and accruals	**4,778**	5,012	**2,084**	1,917
Current tax payable	**5**	1	**1**	1
	4,783	5,013	**2,085**	1,918
Total liabilities	**7,880**	8,015	**2,085**	1,918
Total equity and liabilities	**77,939**	84,999	**24,312**	24,298

1(b)(ii) Aggregate amount of group's borrowings and debt securities.
- **Amount repayable in one year or less, or on demand**
- **Amount repayable after one year**

The Group did not have any borrowings or debt securities as at 30 September 2016 and 31 December 2015.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Group			
	For the 3 months ended		For the 9 months ended	
	30 Sep 2016	30 Sep 2015	**30 Sep 2016**	30 Sep 2015
	S$'000	S$'000	**S$'000**	S$'000
Operating activities				
Loss before income tax				
From continuing operations	**(737)**	(9,112)	**(2,316)**	(8,486)
From discontinued operations	**-**	(5)	**-**	(258)
Adjustments for:				
Depreciation of plant and equipment	**390**	4,219	**1,187**	13,896
in respect of discontinued operations	**-**	4	**-**	165
Allowance for impairment of trade receivables	**-**	4,308	**-**	4,308
Interest income	**(7)**	(75)	**(26)**	(330)
Unrealised currency translation differences	**(1)**	1,103	**42**	1,953
Operating cash flow before movements in working capital	**(355)**	442	**(1,113)**	11,248
Trade receivables and other receivables	**40**	3,690	**51**	(6,213)
Prepayment	**(12)**	-	**(2)**	-
Trade payables	**-**	-	**(5,012)**	-
Other payables and accruals	**55**	(1)	**4,778**	(884)
Cash (used in) generated from operations	**(272)**	4,131	**(1,298)**	4,151
Income tax paid	**-**	(5)	**(2)**	(725)
Net cash (used in) generated from operating activities	**(272)**	4,126	**(1,300)**	3,426
Investing activities				
Interest received	**16**	75	**35**	330
Purchase of plant and equipment	**-**	(12,320)	**-**	(12,320)
Net cash generated from (used in) investing activities	**16**	(12,245)	**35**	(11,990)
Financing activities				
Issuance of share capital	**562**	-	**562**	-
Net cash generated from financing activities	**562**	-	**562**	-
Net increase (decrease) in cash and cash equivalents	**306**	**(8,119)**	**(703)**	**(8,564)**
Exchange differences on translation of cash and cash equivalents at beginning of the financial period	**(88)**	(183)	**(629)**	223
Cash and cash equivalents at beginning of quarter/financial period	**8,958**	19,722	**10,508**	19,761
Cash and cash equivalents at end of period	**9,176**	11,420	**9,176**	11,420

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

S$'000	Note	Share capital	Share option reserve	Foreign Currency translation reserve	Statutory reserve	(Accumulated losses)/ Retained earnings	Equity attributable to owners of the parent	Non-controlling Interest	Total equity
Group									
Balance as at 1 January 2016		**68,080**	**166**	**12,369**	**3,200**	**(6,831)**	**76,984**	**-**	**76,984**
Currency translation differences for first quarter ended 31 March 2016		**-**	**-**	**(3,388)**	**-**	**-**	**(3,388)**	**-**	**(3,388)**
Loss for the first quarter ended 31 March 2016		**-**	**-**	**-**	**-**	**(883)**	**(883)**	**-**	**(883)**
Total comprehensive loss for the first quarter ended 31 March 2016		**-**	**-**	**(3,388)**	**-**	**(883)**	**(4,271)**	**-**	**(4,271)**
Balance as at 31 March 2016		**68,080**	**166**	**8,981**	**3,200**	**(7,714)**	**72,713**	**-**	**72,713**
Currency translation differences for second quarter ended 30 June 2016		**-**	**-**	**(2,380)**	**-**	**-**	**(2,380)**	**-**	**(2,380)**
Loss for the second quarter ended 30 June 2016		**-**	**-**	**-**	**-**	**(700)**	**(700)**	**-**	**(700)**
Total comprehensive loss for the second quarter ended 30 June 2016		**-**	**-**	**(2,380)**	**-**	**(700)**	**(3,080)**	**-**	**(3,080)**
Balance as at 30 June 2016		**68,080**	**166**	**6,601**	**3,200**	**(8,414)**	**69,633**	**-**	**69,633**
Issuance of share capital		**562**	**-**	**-**	**-**	**-**	**562**	**-**	**562**
Transfer from share option reserve		**-**	**(151)**	**-**	**-**	**151**	**-**	**-**	**-**
Currency translation differences for third quarter ended 30 September 2016		**-**	**-**	**603**	**-**	**-**	**603**	**-**	**603**
Loss for the third quarter ended 30 September 2016		**-**	**-**	**-**	**-**	**(739)**	**(739)**	**-**	**(739)**
Total comprehensive loss for the third quarter ended 30 September 2016		**-**	**-**	**603**	**-**	**(739)**	**(136)**	**-**	**(136)**
Balance as at 30 September 2016		**68,642**	**15**	**7,204**	**3,200**	**(9,002)**	**70,059**	**-**	**70,059**
Balance as at 1 January 2015		68,080	166	8,157	20,560	50,362	147,325	3,190	150,515
Currency translation differences for first quarter ended 31 March 2015		-	-	6,260	-	-	6,260	159	6,419
Profit for the first quarter ended 31 March 2015		-	-	-	-	624	624	-	624
Total comprehensive income for the first quarter ended 31 March 2015		-	-	6,260	-	624	6,884	159	7,043
Balance as at 31 March 2015		68,080	166	14,417	20,560	50,986	154,209	3,349	157,558
Currency translation differences for second quarter ended 30 June 2015		-	-	(2,547)	-	-	(2,547)	(20)	(2,567)
Forgiveness of debts between subsidiaries	1	-	-	-	-	3,329	3,329	(3,329)	-
Loss for the second quarter ended 30 June 2015		-	-	-	-	(587)	(587)	-	(587)
Total comprehensive income for the second quarter ended 30 June 2015		-	-	(2,547)	-	2,742	195	(3,349)	(3,154)
Balance as at 30 June 2015		68,080	166	11,870	20,560	53,728	154,404	-	154,404
Currency translation differences for third quarter ended 30 September 2015		-	-	4,304	-	-	4,304	-	4,304
Loss for the third quarter ended 30 September 2015		-	-	-	-	(8,641)	(8,641)	-	(8,641)
Total comprehensive loss for the third quarter ended 30 September 2015		-	-	4,304	-	(8,641)	(4,337)	-	(4,337)
Balance as at 30 September 2015		68,080	166	16,174	20,560	45,087	150,067	-	150,067
Currency translation differences for fourth quarter ended 31 December 2015		-	-	(3,805)	-	-	(3,805)	-	(3,805)
Appropriation of statutory reserve		-	-	-	(17,360)	17,360	-	-	-
Loss for the fourth quarter ended 31 December 2015		-	-	-	-	(69,278)	(69,278)	-	(69,278)
Total comprehensive loss for the fourth quarter ended 31 December 2015		-	-	(3,805)	(17,360)	(51,918)	(73,083)	-	(73,083)
Balance as at 31 December 2015		68,080	166	12,369	3,200	(6,831)	76,984	-	76,984

Company	Note	Share capital	Share option	Accumulated losses	Total equity
		S$'000	S$'000	S$'000	S$'000
Balance as at 1 January 2016		**68,080**	**166**	**(45,866)**	**22,380**
Total comprehensive loss for the first quarter ended 31 March 2016		**-**	**-**	**(226)**	**(226)**
Balance as at 31 March 2016		**68,080**	**166**	**(46,092)**	**22,154**
Total comprehensive loss for the second quarter ended 30 June 2016		**-**	**-**	**(118)**	**(118)**
Balance as at 30 June 2016		**68,080**	**166**	**(46,210)**	**22,036**
Issuance of share capital		562		**-**	**562**
Transfer from share option reserve		-	**(151)**	**151**	**-**
Total comprehensive loss for the third quarter ended 30 September 2016		**-**	**-**	**(371)**	**(371)**
Balance as at 30 September 2016		**68,642**	**15**	**(46,430)**	**22,227**
Balance as at 1 January 2015		68,080	166	24,059	92,305
Total comprehensive loss for the first quarter ended 31 March 2015		-	-	(215)	(215)
Balance as at 31 March 2015		68,080	166	23,844	92,090
Total comprehensive loss for the second quarter ended 30 June 2015	**2**	-	-	(51,107)	(51,107)
Balance as at 30 June 2015		68,080	166	(27,263)	40,983
Total comprehensive loss for the third quarter ended 30 September 2015		-	-	(168)	(168)
Balance as at 30 September 2015		68,080	166	(27,431)	40,815
Total comprehensive loss for the fourth quarter ended 31 December 2015	**3**	-	-	(18,435)	(18,435)
Balance as at 31 December 2015		68,080	166	(45,866)	22,380

Note:

1 Relates to the effect on the non-controlling interest of Universal Resource and Services Limited's (the '**Company**", together with its subsidiaries the "**Group**") subsidiaries, namely Tianjin Dagang Shengkang Petroleum Development Co., Ltd. ("**Shengkang**") and Tianjin Ganghua Petroleum Service Co., Ltd. ("**Ganghua**"), arising from the waiver of the intra-group balances of Shengkang and Ganghua with SKY Petroleum Technology Development (Tianjin) Co., Ltd ("**SKY Tianjin**"), which is deemed as a capital transaction with equity holders and recognised directly in equity.

2 Impairment of the Company's investments in Shengkang and Ganghua (which had been subsequently disposed in 4QFY2015) due to the waiver (by these subsidiaries) of certain inter-company balances due to and from the Company and/or other subsidiaries.

3 The loss was mainly due to the effect of the S$17.8 million impairment in the investment in SKY Tianjin.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital	**No. of shares ('000) As at 30 September 2016**	No. of shares ('000) As at 30 September 2015
Ordinary shares issued and fully paid		
Balance at beginning of the financial period	**20,071,466**	20,071,466
Issuance of share capital	**4,014,292**	-
Balance as at the end of the financial period	**24,085,758**	20,071,466

As at 30 September 2016, options to subscribe for ordinary shares in the Company remained outstanding as follows:

	No. of options As at 30 September 2016	No. of options As at 30 September 2015
Balance at beginning of financial year	**89,250**	89,250
Share options lapsed and void	**(80,750)**	-
Balance at end of financial period	**8,500**	89,250

(a) Issuance of new share capital during the financial period ended 30 September 2016

As announced by the Company on 13 June 2016, the Company entered into conditional subscription agreements with Haven Capital Pte. Ltd. and Fides Capital Partners Limited respectively ("**Subscription Agreements**") for the issuance of a total of 4,014,292 new shares ("**New Shares**") at S$0.14 per share for a total consideration of S$562,000 ("**Proceeds From Share Placement").** On 22 July 2016, the Company received the approval in-principle from the Singapore Securities Exchange Trading Limited ("**SGX-ST**") for the listing and quotation of the New Shares on the Mainboard of the SGX-ST. On 1 August 2016, the Company issued the New Shares pursuant to the Subscription Agreements. The newly issued shares rank *pari passu* in all respects with the previously issued shares.

(b) Employee Share Option Scheme (the "ESOS")

As at 1 January 2016, the Company had 89,250 share options issued to the Company's employees and Executive Directors. Each share option entitled the holder to subscribe for one ordinary share in the Company upon the payment of the exercise price of S$3.30.

As part of the Group's downsizing effort and natural attrition, the relevant employees who were granted the share options have ceased to be employed by the Group. Pursuant to Rule 11.3(a) of the ESOS, the share options granted to such relevant employees shall immediately lapse and become null and void. Accordingly, 80,750 share options granted to such ex-employees lapsed and became null and void and S$150,499 of the fair value pertaining to such lapsed share options were reclassified from Share Option Reserve to Accumulated Losses (see item 1(d)(i) on page 5).

(c) Other potentially dilutive instruments

On 18 May 2015, the Company appointed Singularity Consultancy Pte. Ltd. as the consultant to the Company in relation to the proposed acquisition of 57.64% equity interests in Hongkong New Wing Energy Development Company Limited ("**Proposed Menduwai Project**"). Under the terms of the consultancy agreement with Singularity Consultancy Pte. Ltd., the fees will be payable upon the achievement of the milestones by way of allotment and issuance of up to a maximum of 1,034,200 ordinary shares ("**Consideration Shares**") in the capital of the Company and at an issue price of S$0.70 per Consideration Share. Up to the date of this announcement, the Consideration Shares have not been allotted as the milestones have not been achieved.

(d) Share consolidation

On 18 September 2015, the Company completed a share consolidation of every 20 then existing shares held by the shareholders of the Company into one consolidated ordinary share with fractional entitlement disregarded ("**Share Consolidation**").

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The Company does not have any treasury shares. The Company's total number of issued ordinary shares as at 30 September 2016 was 24,085,758 (31 December 2015 was 20,071,466).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been reviewed or audited.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation for the current financial period compared with those of the audited financial statements for the financial year ended 31 December 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the new and revised accounting standards which became effective for annual periods beginning on or after 1 January 2016.

The adoption of these new and revised accounting standards did not give rise to any significant impact on the financial statements for the financial period ended 30 September 2016.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group			
	For the 3 months ended		For the 9 months ended	
	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
Net loss attributable to members of the Company (SGD'000)	**(739)**	(8,641)	**(2,322)**	(8,604)
Weighted average number of ordinary shares in issue for the computation of basic loss per share ("000)	**22,748**	20,071	**20,964**	20,071
Weighted average number of ordinary shares in issue for the computation of diluted loss per share ('000)	**22,748**	20,071	**20,964**	20,071
Basic loss per share (cents)	**(3.2)**	(43.0)	**(11.1)**	(41.6)
Diluted loss per share (cents)	**(3.2)**	(43.0)	**(11.1)**	(41.6)

Basic and diluted losses per ordinary share is calculated based on the Group's loss attributable to the shareholders of the Company divided by the weighted number of ordinary shares in issue during the financial period.

For the 3 months financial period ended 30 September 2016 ("**3QFY2016**"), the 9 months financial period ended 30 September 2016 ("**FP2016**"), 3 months financial period ended 30 September 2015 ("**3QFY2015**") and the 9 months financial period ended 30 September 2015 ("**FP2015**") the shares options were excluded from the computation of the dilutive loss per share as the Group was incurring losses and these options were anti-dilutive.

The Consideration Shares (see item 1(d)(ii)(c) and page 8) have not been allotted and accordingly were not included in the computation of diluted earnings per share.

7. Net asset value (for the issuer and group) per ordinary share based on total number of issued shares excluding treasury shares of the issuer at the end of the:-

(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30-Sep-16	31-Dec-15	30-Sep-16	31-Dec-15
Net assets (S$'000)	**70,059**	76,984	**22,227**	22,380
Number of ordinary shares ('000)	**24,086**	20,071	**24,086**	20,071
Net Asset Value per share (dollar per share)	**2.90**	3.83	**0.92**	1.12

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business, it must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Consolidated Income Statement – 3QFY2016 performance

(a) Sales and gross profit margin

During the 3QFY2016, the global oil industry continued to be depressed and crude oil traded between US$41 to US$50 per barrel. The Group's overall business environment remained challenging. Companies in the People's Republic of China ("**PRC**") engaged in oil extraction and recovery services continued to experience depressed business environment and decline in their business activities. Accordingly, in face of such depressed business environment, the Group adopted a more cautious approach and hence did not lease out any of its equipment. Accordingly, no revenue has been recorded in 3QFY2016.

Details for revenue are as follows:

	Group					
	3QFY2016	3QFY2015	changes	**FP2016**	FP2015	changes
	S$'000	S$'000	%	**S$'000**	S$'000	%
CONTINUING OPERATIONS						
Rental of Drilling Rig	**-**	-	N.M	**-**	11,361	(100)
DISCONTINUED OPERATIONS						
Oil Well Maintenance	**-**	-	N.M	**-**	70	(100)
Total	**-**	-	N.M	**-**	11,431	(100)

Details for gross profit margin are as follows:

	Group					
	3QFY2016	3QFY2015	changes	**FP2016**	FP2015	changes
	S$'000	S$'000	%	**S$'000**	S$'000	%
CONTINUING OPERATIONS						
Rental of Drilling Rig	**-**	-	N.M	**-**	3,434	(100)
DISCONTINUED OPERATIONS						
Oil Well Maintenance	**-**	-	N.M	**-**	(81)	(100)
Total	**-**	-	N.M	**-**	3,353	(100)

With the cessation of the Oil Well Maintenance segment during the financial year ended 31 December 2015, the results relating to this segment were classified as discontinued operations.

The variances in revenue and gross profit between 3QFY2016 and 3QFY2015 as well as FP2016 and FP2015 were attributable to the absence of revenue and the discontinued Oil Well Maintenance segment as discussed above.

(b) Interest income

Interest income decreased by S$68,000 from S$75,000 in 3QFY2015 to S$7,000 in 3QFY2016. The decrease was attributable largely to a reduction in bank balances and lower interest rate on the deposits in bank.

(c) Administrative expenses

Administrative expenses decreased by S$0.3 million from S$0.7 million in 3QFY2015 to S$0.4 million in 3QFY2016. The reduction was attributable largely to the downsizing and cost control measures undertaken by the Group.

(d) Other expenses

Other expenses reduced by S$8.1 million from S$8.5 million in 3QFY2015 to S$0.4 million in 3QFY2016.

In 3QFY2015, a S$4.3 million allowances of doubtful debts was made for trade receivables, no such allowances was made in 3QFY2016.

In addition depreciation for temporarily non-revenue generating plant and equipment decreased by S$3.8 million from S$4.2 million in 3QFY2015 to S$0.4 million in 3QFY2016. This reduction in depreciation is attributable to the adoption of "diminishing balance method" for the computation of the depreciation of the Group's oil-drilling equipment during financial year ended 31 December 2014 which resulted in decreasing depreciation being charged to the statement of profit or loss over their useful lives.

The absence of allowance for doubtful debts and the reduction in depreciation for temporarily non-revenue generating plant and equipment resulted in the variance of S$8.1 million.

(e) Loss attributable to shareholders of the Company

The net loss attributable to shareholders of the Company reduced from $8.6 million in 3QFY2015 to S$0.7 million in 3QFY2016. This reduction was attributable largely to a S$0.3 million reduction in administrative expenses and a S$8.1 million reduction in other expenses as discussed above.

Consolidated Statement of Financial Position as at 30 September 2016

(a) Plant and equipment

Plant and equipment decreased by S$1.7 million from S$8.1 million as at 31 December 2015 to S$6.4 million as at 30 September 2016. The decrease was attributable to a $1.2 million of depreciation and a S$0.5 million of translation differences arising from the depreciation of the Chinese Renminbi ("**RMB**") against the Singapore Dollar.

(b) Trade and other receivables

Trade and other receivables reduced by S$4.1 million from S$66.4 million as at 31 December 2015 to S$62.3 million as at 30 September 2016. The reduction was attributable largely to a S$4.0 million of translation differences arising from the depreciation of the RMB against the Singapore Dollar pertaining to the RMB denominated deposit paid for the acquisition of oil blocks and Input VAT receivable.

The details of the trade and other receivables are as follows:

	Group		Company	
	30-Sep-16	31-Dec-15	**30-Sep-16**	31-Dec-15
	S$'000	S$'000	**S$'000**	S$'000
Deposit paid for acquisition of oil blocks	**55,519**	59,099	**-**	-
Input VAT	**6,750**	7,184	**-**	-
Others	**21**	58	**19**	7
Other deposits	**18**	41	**18**	41
Amounts due from subsidiaries (non-trade)	**-**	-	**10,206**	10,086
	62,308	66,382	**10,243**	10,134

(i) Deposit paid for acquisition of oil blocks

This relates to the first payment of US$49,990,000 (RMB 271,220,000) made on 30 December 2014, pursuant to the conditional sale and purchase agreement (the "**SPA**") entered into by the Company's wholly-owned subsidiary, SKY Tianjin, with Calgary Petroleum Service Co., Limited (the "**Vendor**") on 29 December 2014 for the Proposed Menduwai Project.

According to the SPA, the first payment is to be refunded with interest by the Vendor to SKY Tianjin in the event that the Company is unable to obtain approval for the Proposed Menduwai Project from (i) the Company's shareholders at an extraordinary general meeting of the Company to be convened; or (ii) the SGX-ST. Please refer to the Company's earlier announcement on this matter dated 11 November 2013, 7 May 2014, 10 November 2014, 12 January 2015, 30 January 2015, 27 February 2015, 18 May 2015 and 22 December 2015 ("**Earlier Announcements**").

The Board, together with the professionals, is still reviewing the Proposed Menduwai Project to ensure it meets the requirements of the Listing Manual. As such, none of the actions described above, in the Earlier Announcements or elsewhere in this announcement, is an indication that the Board is ratifying the Proposed Menduwai Project. The Company will make the necessary announcement when there is further development in relation to the Proposed Menduwai Project.

(ii) Input VAT

This represents the tax paid on the drilling equipment purchased in previous years which are to be carried forward and offset against future output payable.

(c) Cash and cash equivalents

Cash and cash equivalents consist cash at bank. It decreased by S$1.3 million from S$10.5 million as at 31 December 2015 to S$9.2 million as at 30 September 2016. The decrease was attributable largely to a S$0.6 million of translation differences arising from the depreciation of the RMB against the Singapore Dollar pertaining to the RMB denominated bank balances and S$1.3 million of cash flow used in operating activities. The total reduction which amounted to S$1.9 million was offset partly by the S$0.6 million of proceeds from the issuance of New Shares (see item 1(d)(ii)(a) and page 7).

(d) Other payables and accruals

Other payables reduced by S$0.2 million from S$5.0 million as at 31 December 2015 to S$4.8 million as at 30 September 2016. The reduction is attributable largely to routine payment of accrued expenses. The details of other payables and accruals are as follows:

	Group		Company	
	30-Sep-16	31-Dec-15	**30-Sep-16**	31-Dec-15
	S$'000	S$'000	**S$'000**	S$'000
Accrued expenses	**4,036**	4,270	**348**	418
Purchase consideration payable for acquisition of a subsidiary	**742**	742	**-**	-
Due to related companies	**-**	-	**1,736**	-
Amount due to subsidiary (non-trade)	**-**	-	**-**	1,499
	4,778	5,012	**2,084**	1,917

(e) Deferred income tax liabilities

Deferred income tax liabilities increased by S$0.1 million from S$3.0 million as at 31 December 2015 to S$3.1 million as at 30 September 2016. The increase was attributable to a S$0.1 million of translation differences arising from the depreciation of the RMB against the Singapore Dollar pertaining to the RMB denominated deferred tax liabilities.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The business environment

The oil prices dropped sharply in February 2016 to US$27/barrel, it recovered in the second quarter of 2016 to about US$48/barrel. During 3QFY2016, oil prices traded between the low of US$41/barrel and high of US$50/barrel. The global oversupply continued to weigh heavily on oil prices and some degree of volatility and uncertainty in the oil prices are expected to continue for the remaining months of financial year ending 31 December 2016.

Companies in the PRC that have secured contracts from state-owned entities to perform oil extraction services are still experiencing significantly depressed business activities, as a result they continued to delay the execution of their planned drillings.

The business environment for participants in the oil and gas sector generally and in the PRC continued to be challenging. Some companies in Singapore and elsewhere went into debt default largely as a result of the prolonged depressed oil prices.

Implications of the general business environment to the Group

Currently, the Group is solely dependent on the Rental of Drilling Rig segment for its revenue. The level of oil prices will determine the demand for extraction activities which will in turn determine the demand for the rental of the Group's plant and equipment. The current outlook of oil prices is expected to add to the challenges faced by the Group in the foreseeable future.

On 4 August 2016, the Group announced the termination of the Sole Lease (as defined in the announcement dated 31 August 2015). As such the ability of the Group to generate revenue in the foreseeable future will be dependent on its ability to lease the equipment to potential customers and other new business opportunities that the Group may be able to materialize in the future.

In the event that the Group is unable to secure new customers and/or commence new leases for its equipment on viable terms, then depending on the actual circumstances or nature of any of the foregoing, there may be adverse impact on the results of the Group (including *inter alia* further impairment on the carrying value of its equipment and/or Input VAT receivables).

The Group is actively seeking new customers, particularly on a short-term nature, pending the stabilization and improvement of the oil prices, exploring and evaluating options to improve its profitability and diversify its income streams. However, there is no assurance that such efforts will result in positive outcome to the Group.

On a positive note, since the Group does not have any bank loans, with the existing bank balances and the downsized Group, there will be adequate cash to fund the Group's operating expenses.

Updates on the enforcement of the Civil Mediation Agreements ("CMAs") against SKY Tianjin's ex-customers

As announced previously on 6 November 2015, 13 November 2015, 26 February 2016, 11 April 2016, 18 April 2016, 26 April 2016, 6 May 2016, 30 May 2016 and 20 June 2016, the Group's ex-customers, namely Tianjin Botenaer Petroleum Engineering Co., Ltd ("Tianjin BPE") and Hebei Daofu Petroleum Exploration & Technology Development Co., Ltd ("Hebei DPETD") (collectively the "Customers"), defaulted on paying the outstanding rentals and failed to return the leased drilling equipment. As directed by the relevant competent Courts in the PRC, on 8 April 2016 and 21 April 2016, the Group entered into two legally binding CMAs with Tianjin BPE and Hebei DPETD respectively. Since, the Customers have failed to perform their obligations in accordance with the CMAs within the deadlines, accordingly the Group proceeded with enforcement of the CMAs through the competent Courts in the PRC.
SKY Tianjin has received Enforcement Verdicts ("执行裁定书") from the relevant competent Courts in relation to the enforcement of the CMAs against Hebei DPETD and Tianjin BPE dated 8 October 2016 and 26 October 2016 respectively. The conclusions of the Enforcement Verdicts are as follows:

(a) The relevant competent Courts in the PRC could not locate any of the Customers' assets for enforcement of the respective CMAs and SKY Tianjin was unable to provide further leads on the Customers' assets to the Courts for the enforcement of the CMAs;

(b) In view of the above, the process of enforcement of the CMAs against the Customers were terminated in accordance with the relevant laws in the PRC. However, if SKY Tianjin becomes aware of the existence of any the Customers' assets, it could re-apply to the relevant competent Courts in the PRC for the enforcement of the CMAs.

Since the Enforcement Verdict does not have a limitation period, the Group will continue to attempt to locate the Customers' assets. However, such efforts by the Group may not yield any results in view of the efforts expended to date.

Since the receivables due from the Customers and the drilling equipment leased to the Customers have been fully impaired during the financial year ended 31 December 2015, the Enforcement Verdicts do not have any negative impact on the results of the Group for the financial year ending 31 December 2016 and in future financial years.

Profit Warning for the quarter and financial year ending 31 December 2016

In view of the current business environment, the bearish outlook on the possibility of significant recovery in oil prices before the end of the current financial year, barring unforeseen circumstances, the Group is expected to report a loss for the quarter ending 31 December 2016 and for the financial year ending 31 December 2016.

11. Dividend

(a) Current Financial Period Reported On
Any dividend declared for the current financial period reported on?

No dividend has been declared or recommended.

(b) Corresponding Period of the Immediately Preceding Financial year
Any dividend declared for the corresponding period of the immediately preceding financial year?

No dividend was declared or recommended.

(c) Date payable

Not Applicable.

(d) Book closure date

Not Applicable.

12. To disclose in the quarterly and full year announcements whether the group has obtained a general mandate from shareholders for Interested Person Transactions (IPT), and the aggregate value of such transactions. If no IPT mandate has been obtained, a statement is required.

No IPT mandate has been obtained from our shareholders and no IPT for period under review.

13. Confirmation pursuant to SGX Listing Rule 720(1) of the Listing Manual

The Company confirms that the undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

14. Use of Proceeds From Share Placement

The use of Proceeds From the Share Placement are as follows:

	S$'000
Proceeds from issusance of New Shares	562
Fee paid to SGX and other professionals fees in relation to the listing and quotation of New Shares	(33)
Payment of opearating expenses	(397)
Balance as at 30 September 2016	132

15. Negative assurance confirmation on interim financial results under SGX Listing Rule 705(5) of the Listing Manual

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the 3QFY2016 financial results to be false or misleading in any material aspect.

On behalf of the Board of Directors

Wu Chunlan
Chairperson of the Board

Chow Wai San
Independent Director

BY ORDER OF THE BOARD

11 November 2016