UNIVERSAL RESOURCE AND SERVICES LIMITED
(the "Company")
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200312303R)

LETTERS OF DEMAND ISSUED TO CUSTOMERS AND PROFIT WARNINGS FOR THIRD QUARTER ENDED 30 SEPTEMBER 2015 AND THE FINANCIAL YEAR ENDING 31 DECEMBER 2015

1. LETTERS OF DEMAND ISSUED TO CUSTOMERS

The Board of Directors (the "**Board**") of Universal Resource and Services Limited (the "**Company**", together with its subsidiaries, the "**Group**") wishes to announce that SKY Petroleum Technology Development (Tianjin) Co., Ltd ("**SKY Tianjin**"), a wholly-owned subsidiary of the Company, had on 30 October 2015, issued two letters of demand (the "**Letters of Demand**") to its customers, namely, Tianjin Botenaer Petroleum Engineering Co., Ltd ("**Tianjin BPE**") and Hebei Daofu Petroleum Exploration Technology Development Co., Ltd ("**Hebei DPETD**") (collectively the "**Customers**"), through its legal representatives in the PRC.

The principal terms of the Letters of Demand served on Tianjin BPE and Hebei DPETD are set out below:

(a) **Tianjin BPE**

(i) claiming for approximately RMB14.9 million (approximately S$3.3 million), being the amount due and owing under various equipment leases (which had expired during the first half of 2015) ("**Tianjin BPE Leases**"), by 6 November 2015;

(ii) demanding the return of all equipment leased under the Tianjin BPE Leases by 6 November 2015; and

(iii) failing the full repayment of the amount due and owing by Tianjin BPE and/or the return of equipment leased under the Tianjin BPE Leases by 6 November 2015, SKY Tianjin will commence legal proceedings against Tianjin BPE.

(b) **Hebei DPETD**

(i) claiming for approximately RMB51.0 million (approximately S$11.3 million), being the amount due and owing under the equipment lease ("**Hebei DPETD Lease**"), by 6 November 2015; and

(ii) failing the full repayment of the amount due and owing by Hebei DPETD by 6 November 2015, SKY Tianjin will terminate the Hebei DPETD Lease, demand for the immediate return of the equipment leased under the Hebei DPETD and commence legal proceedings against Hebei DPETD.

As at the close of business on 6 November 2015, SKY Tianjin has not received any reply or response from the Customers or any bank confirmation regarding the receipts of the amounts due and owing from the Customers (as stated in the Letters of Demand). Pursuant to the Letter of Demand issued to Hebei DPETD, SKY Tianjin has terminated the Hebei DPETD Lease with effect from 6 November 2015.

The management of the Company (the "**Management**") is working closely with the Group's legal advisers to take all necessary actions, including but not limited to, the commencement of legal proceedings against the Customers to, *inter alia*, enforce SKY Tianjin's rights under the Tianjin BPE Leases and the Hebei DPETD Lease, and safeguard as well as protect the interests and assets of the Group.

2. PROFIT WARNING FOR THIRD QUARTER ENDED 30 SEPTEMBER 2015 AND THE FINANCIAL YEAR ENDING 31 DECEMBER 2015

As a result of the delays in the collection of trade receivables by the Group, in particular, under the Tianjin BPE Leases and the Hebei DPETD Lease, the Board deems it appropriate to issue a profit warning regarding the financial results of the Group for the third quarter ended 30 September 2015 ("**3Q2015**") and the financial year ending 31 December 2015 ("**FY2015**").

(a) Profit warning relating to 3Q2015

Based on the preliminary review of the Group's draft 3Q2015 financial results, the Group is expected to report a net loss for 3Q2015 mainly due to:

(i) the Tianjin BPE Leases having been expired and not renewed;

(ii) the Hebei DPETD Lease having been terminated as described in paragraph 1 above;

(iii) the expected impairment in respect of trade receivables due from the Customers to be made in accordance with the relevant Singapore Financial Reporting Standards ("**SFRS**"); and

(iv) in view of the issues relating to the collection of trade receivables due from Hebei DPETD in respect of the rental revenue recognised in previous quarters, the Board is reviewing whether the revenue recognition criteria in accordance with the relevant SFRS have been met in respect of the rental revenue for the Hebei DPETD Lease in 3Q2015.

While the Management is still evaluating the matters as described above, the Management expects that significant impairment will be made in respect of the trade receivables in 3Q2015. As the Group reported a profit of S$37,000 for the first half ended 30 June 2015, it is likely that, after taking into consideration the significant impairment in respect of the trade receivables, the Group will report a loss for 3Q2015 and the nine-month financial period ended 30 September 2015.

The Company is still in the process of finalising the financial results for 3Q2015 and will provide further details of the Group's performance when it releases the financial results on or before 13 November 2015.

(b) **Profit warning relating to FY2015**

(i) With the termination of the Hebei DPETD Lease, subject to the commencement of the Sole Lease (as defined below) as set out below, and/or the commencement of any new leases that may be entered into by the Group in respect of those equipment associated with the Tianjin BPE and Hebei DPETD that may be returned to the Group as set out above, the Group may not record any revenue in the fourth quarter ending 31 December 2015.

The Group is now dependent on its sole contract for the rental of newly acquired second-hand drilling machine ("**Drilling Machine**") with 盘锦腾远石油设备有限公司 dated 29 August 2015 ("**Sole Lease**") as announced on 31 August 2015. According to the terms of the Sole Lease, the customer under the Sole Lease ("**Lessee**") has up to five (5) months from the date of the Sole Lease (i.e. by 28 January 2016) to complete its preparation of the installation site and take delivery of the Drilling Machine.

In the event that the Lessee does not to adhere to the terms of the Sole Lease and/or fails to take delivery of the Drilling Machine in accordance with the terms of the Sole Lease, and/or if there is a variation to the terms of the Sole Lease, then depending on the actual circumstances or nature of any of the foregoing, there may be an adverse impact on the results of the Group for FY2015.

(ii) Depending on the development of the actions (including without limitation the legal proceedings) to be taken against the Customers, further impairment of trade receivables may be required. Any significant additional impairment in respect of trade receivables would have an adverse impact on the results of the Group for FY2015.

(iii) As at the date of this announcement, the Customers have not replied to the Group's demand for the return of all the equipment leased under the Hebei DPETD Lease and Tianjin BPE Leases; and in the event that the condition of these equipment, when returned to the Group, has severely deteriorated and/or the Group is unable to secure the return of part or all of such equipment, impairment may have to be made in respect of these equipment. Any significant impairment in respect of plant and equipment would have an adverse impact on the results of the Group for FY2015.

(iv) In the event that the Group is unable to secure new customers on comparable terms (such as, *inter alia*, rental rates) as those of the expired or terminated contracts, impairment on the Group's plant and equipment would have to be made. Any significant impairment in respect of plant and equipment would have an adverse impact on the results of the Group for FY2015.

(v) In the event that additional significant impairment in respect of trade receivables and/or significant impairment for plant and equipment is required, impairment in respect of the Company's investments in its subsidiary may have to be made.

The Group expects to record a loss for FY2015 unless significant positive developments relating to the matters highlighted above occur before the end of FY2015.

The Company will make necessary announcements as and when required to update the shareholders.

3. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers. The Company will make further announcements as appropriate with regard to this matter.

BY ORDER OF THE BOARD

Wu Chun Lan
Chairperson and Chief Executive Officer
6 November 2015