



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

UPDATE ON THE LEGAL ACTION AGAINST CUSTOMERS –

CIVIL MEDIATION AGREEMENT ISSUED BY THE PEOPLE'S COURT OF BINHAI NEW DISTRICT OF TIANJIN MUNICIPALITY

Unless otherwise defined, all capitalised terms used in this Announcement shall have the same meanings ascribed to them in the Previous Announcements (as defined below).

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Universal Resource and Services Limited (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) refers to the announcements dated 6 November 2015, 13 November 2015, 26 February 2016, 11 April 2016 and 18 April 2016 (the “**Previous Announcements**”) in respect of the letters of demand issued by SKY Petroleum Technology Development (Tianjin) Co., Ltd (“**SKY Tianjin**”) to the Customers and the actions taken against the Customers.

2. BACKGROUND OF ACTIONS TAKEN AGAINST TIANJIN BOTENAER PETROLEUM ENGINEERING CO., LTD (“TIANJIN BPE”)

2.1 SKY Tianjin had leased five sets of logging-while-drilling (“**LWD**”) equipment and 48 sets of MWD drilling equipment (“**Tianjin BPE Equipment**”) to Tianjin BPE under various lease agreements (which had expired in the first half of 2015) (the “**Tianjin BPE Leases**”). Tianjin BPE had defaulted on its rental payments to SKY Tianjin.

2.2 Subsequent to the termination of the commercial discussions in relation to the entry into new leases, on 30 October 2015, SKY Tianjin had issued a letter of demand to Tianjin BPE for the outstanding amounts due and owing under the Tianjin BPE Leases (“**Tianjin BPE Receivables**”) to be repaid by 6 November 2015 and the return of all equipment leased under the Tianjin BPE Leases by the same date. In the event Tianjin BPE fails to make full repayment of the Tianjin BPE Receivables and/or return of the equipment leased under the Tianjin BPE Leases by 6 November 2015 (“**Deadline**”), SKY Tianjin would be entitled to commence legal proceedings against Tianjin BPE.

2.3 Since Tianjin BPE failed to provide any response to SKY Tianjin by the Deadline, SKY Tianjin commenced legal proceedings against Tianjin BPE on 26 February 2016. Please refer to the announcement dated 26 February 2016 on the financial statements for the 4th Quarter ended 31 December 2015 for more information.

3. CIVIL MEDIATION AGREEMENT BETWEEN SKY TIANJIN AND TIANJIN BPE (“TIANJIN CMA”)

3.1 The Board would like to update the Shareholders that the trial in respect of the claim for the Tianjin BPE Receivables under the Tianjin BPE Leases was heard on 21 April 2016 and SKY Tianjin today received the official verdict issued by the People's Court Of Binhai New District of Tianjin Municipality.

- 3.2 In this regard, the Board would like to announce that SKY Tianjin had, on 21 April 2016, under the civil mediation processes directed by the by the People's Court Of Binhai New District of Tianjin Municipality, entered into the Tianjin CMA, pursuant to which the parties have reached an agreement on, *inter alia*, the following:
- (a) the Tianjin BPE Leases are now terminated;
 - (b) within 15 days of the date of the Tianjin CMA, Tianjin BPE shall return all Tianjin BPE Equipment to SKY Tianjin;
 - (c) within 60 days of the date of the Tianjin CMA, Tianjin BPE shall pay SKY Tianjin the amount of approximately RMB15.08 million (comprising the outstanding rental payments under the Tianjin BPE Leases together with an additional compensation of RMB0.2 million) ("**Tianjin BPE Compensation**");
 - (d) Tianjin BPE shall bear the relevant legal costs of RMB56,985; and
 - (e) in the event Tianjin BPE fails to honour any of the clauses as set out in (b) to (d) above, Tianjin BPE would be required to pay SKY Tianjin the amount of approximately RMB15.36 million (comprising the outstanding rental payments under the Tianjin BPE Leases together with an additional compensation of RMB0.5 million) and the relevant legal costs of RMB56,985.
- 3.3 The Tianjin CMA issued by the People's Court Of Binhai New District of Tianjin Municipality is legally binding on both SKY Tianjin and Tianjin BPE.

4. POSSIBLE OUTCOMES FOLLOWING THE ENTRY INTO THE TIANJIN CMA

- 4.1 Notwithstanding that Tianjin BPE has agreed to return all Tianjin BPE Equipment to SKY Tianjin within 15 days of the date of the Tianjin CMA and pay the Tianjin BPE Compensation to SKY Tianjin within 60 days of the date of the Tianjin CMA ("**Tianjin BPE Undertakings**"), until SKY Tianjin actually receives such equipment and the Tianjin BPE Compensation, there is no assurance that Tianjin BPE will honour such Tianjin BPE Undertakings.
- 4.2 In the event Tianjin BPE fails to perform the Tianjin BPE Undertakings, SKY Tianjin will proceed to enforce the legally binding Tianjin CMA against Tianjin BPE. In this regard, given the Group has already made full impairment on the Tianjin BPE Receivables and all Tianjin BPE Equipment as at 31 December 2015, if SKY Tianjin fails to recover any amount under the Tianjin BPE Undertakings, no further impact and/or adjustment on the Group's financial statements are expected.
- 4.3 In the event Tianjin BPE performs the Tianjin BPE Undertakings, adjustments to the Group's financial statements may be required in light of the manner the Group had accounted for the impact of these events and/or developments in 2015. The quantum of the adjustments cannot be accurately determined at this juncture as it will be dependent on various factors including, *inter alia*, the condition of the LWD and MWD equipment returned to SKY Tianjin, the assessment for impairment with respect to the Tianjin BPE Equipment returned, the timings of the return of the LWD and MWD equipment as well as the receipt of the Tianjin BPE Compensation, and the actual amount of the Tianjin BPE Compensation received by SKY Tianjin. In this regard, there may be a positive impact on the financial results of the Group when the Tianjin BPE Undertakings are actually performed, subject to, *inter alia*, the financial or economic conditions affecting the Group at the material time.

4.4 The Group will make further announcements when there are any significant developments.

5. 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 Chunlan
Chairperson and Chief Executive Officer
26 April 2016**