

UNIVERSAL RESOURCE AND SERVICES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200312303R)

PROPOSED ACQUISITION OF 57.64% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF HONGKONG NEW WING ENERGY DEVELOPMENT COMPANY LIMITED

Unless otherwise defined, all capitalised terms used in this Announcement shall have the same meanings ascribed to them in the announcements released by the Company on 11 November 2013, 7 May 2014 and 10 November 2014 relating to the sale and purchase of 57.64% of the share capital in Hong Kong New Wing Energy Development Company Limited (the “Previous Announcements”).

1. INTRODUCTION

- 1.1 The Board of Directors (“**Board**”) of Universal Resource and Services Limited (the “**Company**”) wishes to announce that the Chief Executive Officer of the Company, Mr. Liu Qingzeng (the “**CEO**”), had on behalf of SKY Petroleum Technology Development (Tianjin) Co., Ltd (“**SKY Tianjin**”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the “**SPA**”) with Calgary Petroleum Service Co., Limited (the “**Vendor**”) on 29 December 2014 for the proposed acquisition by SKY Tianjin of 5,764 ordinary shares (the “**Sale Shares**”), representing approximately 57.64% of the issued and paid-up capital of Hongkong New Wing Energy Development Company Limited (“**Target**”), a wholly owned subsidiary of the Vendor, from the Vendor (the “**Proposed Acquisition**”).
- 1.2 The Target is an investment holding company incorporated in Hong Kong with an aggregate share capital of HK\$10,000 consisting of 10,000 shares of HK1.00 each.
- 1.3 The Target holds an equity interest of approximately 85% in Challedon Service Ltd (“**Challedon**”) (Challedon and the Target, together the “**Target Group**”). Challedon is a company incorporated in Seychelles. On 15 May 2013, Challedon entered into a production sharing contract (“**PSC**”) with *Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi*, whereby Challedon is entitled to 100% of the participating interest to carry out petroleum operations in certain oil blocks in Menduwai, Indonesia (the “**Oil Blocks**”) pursuant to the terms and subject to the conditions of the PSC (the “**Project**”). The Proposed Acquisition will result in the Company acquiring an ultimate effective equity interest of approximately 49% in Challedon.
- 1.4 The Target and Challedon were incorporated on 11 June 2012 and 26 August 2011 respectively. Currently, Challengon has not commenced any operations.
- 1.5 Since the signing of the MOU on 11 November 2013, the Board had authorised the CEO and management to conduct the relevant due diligence on the Oil Blocks and to negotiate with the Vendor for extensions of the MOU and the Exclusivity Period. The MOU was twice extended, with the Exclusivity Period being extended to 10 May 2015, being 18 months from the date of the MOU or such other later date to be agreed between the Parties.

- 1.6 Since the signing of the MOU, the Company had engaged professional firms to provide valuation and technical reports, including Ukrainian mining experts and Chinese mining experts such as 中国石油大港油田勘探开发研究院, 天津大港油田工程咨询有限公司 and 华北石油中科技技术开发服务有限公司. The Company had also engaged Chapman Petroleum Engineering Limited, a Canadian consulting firm providing comprehensive petroleum engineering, geological and geophysical and management services covering the full spectrum of the oil and gas industry, to undertake a qualified person's report on the reserves on the Oil Block. The preliminary reports indicate that the Oil Blocks have potential. A summary of the final reports will be announced in due course when available.
- 1.7 The CEO provided the Independent Directors of the Company with a copy of the executed SPA and its terms on the evening of 8 January 2015, for which the approval of the Board had not been obtained. The CEO and management had briefed the Board regarding the Proposed Acquisition at the board meeting on 25 April 2013 and at subsequent board meetings. Although the Board had given the CEO approval-in-principle conduct due diligence on the Oil Blocks and to negotiate the Proposed Acquisition, the final SPA was entered into and the disbursement of the First Payment was made without the prior knowledge of the Independent Directors. As such, the Independent Directors immediately sought an explanation from the CEO in respect of the circumstances leading up to the signing of the SPA and the reasons for which formal approval of the Board was not obtained prior to the entry by SKY Tianjin into the SPA.
- 1.8 The CEO explained that the Vendor had expressed concerns over the long delay in reaching a legally binding agreement since the MOU was signed on 11 November 2013 and he was given an ultimatum to finalize and enter into the SPA as the Vendor had informed him that there were competing offers for the same Oil Blocks. The CEO and management have extensive experience in the oil and gas industry and the Company was initially listed as a petroleum services company providing drilling and petroleum extraction services of margin fields in China. The CEO explained that based on his experience and the due diligence that the management has conducted, he was confident that the Oil Blocks were worthy investments and that it would be a missed opportunity if the Proposed Acquisition was not secured.
- 1.9 The CEO further explained that he was unable to request for a Board meeting prior to the signing of the SPA due to the Christmas and new year holiday period. He had also operated under the misguided notion that since the Board had already at previous Board meetings given him approval-in-principle to carry out due diligence on the Oil Blocks and granted him authority to proceed with negotiations with the Vendors, that he should be able to get the Board's ratification on the terms of the SPA when the Board met subsequently. The CEO had the wrong impression that an announcement in respect of the SPA and the Proposed Acquisition could be released after the Board has been briefed and that the Proposed Acquisition could be ratified by the Board without any issues.

2. PRINCIPAL TERMS OF THE SPA

- 2.1 Under the SPA that was negotiated by the CEO, the aggregate consideration for the acquisition of the Sale Shares is agreed at US\$49,990,000 ("**Purchase Consideration**") and is to be satisfied as follows:
- (a) US\$43,550,000 (or its equivalent in other currencies), through the payment of cash to the Vendor within 3 business days from the date of the SPA (the "**First Payment**");

- (d) the remaining US\$6,440,000 (or its equivalent in other currencies), through the payment of cash to Vendor within 5 business days from the date of the Share Pledge (as defined below) .
- 2.2 The CEO has paid the First Payment to the Vendor on 30 December 2014. The full amount of the Purchase Consideration, including 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 Acquisition from (i) the Company's shareholders at an extraordinary general meeting of the Company to be convened; or (ii) the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").
- 2.3 The completion of the Proposed Acquisition is conditional upon, *inter alia*, the following being fulfilled (or waived):
- (a) the Company having obtained the approval of its shareholders at an extraordinary general meeting of the for the Proposed Acquisition; and
- (b) the Company having obtained the approval of the SGX-ST in respect of the Proposed Acquisition.
- 2.4 The Vendor will execute a share pledge ("**Share Pledge**") over the Sale Shares in favour of SKY Tianjin within one month of the date on the First Payment is made. Arrangements are currently being made to secure the repayment of the First Payment by expediting the execution of the Share Pledge by the Vendor in favour of SKY Tianjin. The Company will keep its shareholders updated when the Share Pledge has been effected and announcements will be made as and when appropriate.
- 2.5 The First Payment was made using internal source of funds. The Company has sufficient internal sources to finance the balance portion of the Purchase Consideration. The Company has a ready cash balance of approximately RMB90 million after payment of the First Payment, together with additional recurring rental income from the equipment rental business.
- 2.6 The Board will, in consultation with relevant professionals, undertake a full review of the Proposed Acquisition and consider whether amendments and/or supplements need to be made to the SPA to ensure that the Proposed Acquisition meets the requirements of the Listing Manual of the SGX-ST ("the "**Listing Manual**"). The Board also intends to undertake a full review of its internal processes and controls with a view towards strengthening the Company's internal governance and the Company's external auditors have also been instructed to review the internal processes and the controls of the Company.
- 2.7 Pending such review, all financial matters of the Company will be handled by the Chief Financial Officer of the Company and its subsidiaries. The Board has also requested for a trading halt on its shares since 9 January 2015 for the preparation of this announcement and also to update the SGX-ST regarding the above matters.

3. RELATIVE FIGURES AS SET OUT IN RULE 1006 OF THE LISTING MANUAL

- 3.1 The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 ("**Rule 1006**") of the Listing Manual are as follows:

Rule 1006	Bases	Size of Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b)	Net profits attributable to the Sale Shares acquired, compared with the Group's net profits/losses	Not applicable ⁽¹⁾
(c)	The aggregate value of the consideration given, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares	347% ⁽²⁾
(d)	The number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue	Not applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves	Not applicable

Notes:

- (1) There are no audited accounts available for the financial year ended 31 December 2013 for the assets acquired.
- (2) Based on the Purchase Consideration for the Proposed Acquisition of US\$49.99 million (equivalent to approximately S\$66.89 million); and (ii) the market capitalisation of approximately S\$19.27 million of the Company as at 8 January 2015. The market capitalisation of the Company is derived by multiplying the number of shares of the Company in issue (excluding treasury shares) by the closing price of S\$0.048 on 8 January 2015 (being the last market day immediately preceding the date of this Announcement).

- 3.2 As the relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006(c) would exceed 100%, it would fall within the category of a "very substantial acquisition" as defined in Rule 1015 of the Listing Manual. The Proposed Acquisition would be subject, *inter alia*, to the approval of shareholders at an extraordinary general meeting to be convened, the approval of SGX-ST and other relevant provisions of the Listing Manual.
- 3.3 As the Target Group to be acquired has not commenced operations, it did not meet the profitability requirements set out in the Listing Manual. In addition, after the Proposed Acquisition (if materialized), the Company may be classified as a mineral, oil and gas ("**MOG**") company as defined in the Listing Manual and the Company may have to comply with the minimum market capitalization rules applicable to MOG companies as set out in the Listing Manual.
- 3.4 The Board will seek further consultation with SGX and/or may explore alternatives to bring the Proposed Acquisition into compliance with the Listing Manual, such as by restructuring the Proposed Acquisition such that it will no longer constitute a "very substantial acquisition" as defined in Chapter 10 of the Listing Manual. The Company will keep its shareholders updated of any developments and announcements will be made as and when appropriate.

4. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution in trading their shares. Even if the Proposed Acquisition can be restructured in a manner that satisfies the provisions of the Listing Manual and/or be approved by the SGX-ST, there is no certainty or assurance that the Proposed Acquisition can be completed or that potential exploration prospects will be realized as oil and gas exploration is a high risk operation. Shareholders are advised to read this Announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Yap Wai Ming
Company Secretary
12 January 2015