

**PROPOSED ACQUISITION OF NEPTUNE MARINE SERVICES LIMITED BY WAY OF A
CONDITIONAL OFFER MADE BY BLOSSOMVALE INVESTMENTS PTE. LTD., A WHOLLY
OWNED SUBSIDIARY OF MTQ CORPORATION LIMITED**

1. INTRODUCTION

The Board of Directors of MTQ Corporation Limited (the “**Company**” or “**MTQ**”) wishes to announce that its wholly-owned subsidiary, Blossomvale Investments Pte. Ltd. (“**Blossomvale**”) intends to make a conditional offer (the “**Offer**”) for all the issued shares (“**Neptune Shares**”) in Neptune Marine Services Limited (“**Neptune**”) other than those already owned, controlled or agreed to be acquired by the Company (the “**Offer Shares**”).

2. THE OFFER

2.1 Offer Terms

Blossomvale will make the Offer in accordance with relevant Australian legislation and subject to the following principal terms and conditions set out in the Bidder’s Statement, (being the statement of Blossomvale under Part 6.5 Division 2 of the Corporations Act 2001 of Australia relating to the Offer) issued by Blossomvale in connection with the Offer:

(a) The Offer will be made on the following basis:

For each Neptune Share : A\$0.032 in cash (the “Offer Price”)

(b) The Offer also extends to:

- (i) holders of Neptune securities that come to be Neptune Shares from 30 October 2012 to the end of the offer period due to the conversion of, or exercise of rights conferred by, such securities and which are on issue as at 30 October 2012; and
- (ii) any person who becomes registered, or entitled to be registered, as the holder of Neptune Shares during the offer period.

(c) If, at the time the Offer is made to a shareholder of Neptune (“**Neptune Shareholder**”) or at any time during the offer period, another person is, or is entitled to be, registered as the holder of some or all of the Neptune Shares to which the Offer relates:

- (i) a corresponding offer on the same terms and conditions as the Offer will be deemed to have been made to that other person in respect of those Neptune Shares;
- (ii) a corresponding offer on the same terms and conditions as the Offer will be

deemed to have been made to the Neptune Shareholder in respect of any other Neptune Shares the Neptune Shareholder holds to which the Offer relates; and

- (iii) the Offer will be deemed to have been withdrawn immediately at that time.
- (d) If at any time during the offer period, a Neptune Shareholder is registered or entitled to be registered as the holder of one or more parcels of Neptune Shares as trustee or nominee for, or otherwise on account of, another person, the Neptune Shareholder may accept as if a separate Offer on the same terms and conditions as this Offer had been made in relation to each of those parcels and any parcel that the Neptune Shareholder holds in his own right.

2.2 Share Consolidation

- (a) On 26 October 2012, Neptune announced plans to undertake a share consolidation by converting every 30 Neptune Shares into 1 Neptune Share, subject to the approval of Neptune Shareholders at its upcoming annual general meeting ("**Share Consolidation**").
- (b) If Neptune Shareholders approve the Share Consolidation, then in accordance with the ASX Listing Rules that apply to options, the number of Neptune Options (as defined in Section 3.1) will be consolidated in the same ratio and the exercise price of each Neptune Option will be amended in inverse proportion to that ratio.
- (c) In addition, if Neptune Shareholders approve the Share Consolidation, then in accordance with the terms of the Performance Rights and Retention Rights (as defined in Section 3.1), the number of Performance Rights and Retention Rights will be consolidated in the same ratio.
- (d) Where as a result of the Share Consolidation a person would be entitled to a fraction of a Neptune Share, Neptune Option, Performance Right or Retention Right, Neptune will round up to the nearest whole number.
- (e) If the Share Consolidation is approved by Neptune Shareholders and is implemented by Neptune, then if as at the date the Share Consolidation takes effect:
 - (i) a Neptune Shareholder accepted (and did not withdraw his or her acceptance of) the Offer in respect of his or her Neptune Shares but Blossomvale has not provided the consideration due to him or her for his or her Neptune Shares; or
 - (ii) a Neptune Shareholder has not accepted the Offer in respect of his or her Neptune Shares,

the consideration payable to that Neptune Shareholder under the Offer will be A\$0.96 per Neptune Share to reflect the effect of the Share Consolidation on that Neptune Shareholder's Neptune Shares.

2.3 Conditions of the Offer

The completion of the Offer and any contract resulting from an acceptance of the Offer are subject to, *inter alia*, the shareholders of the Company ("**MTQ Shareholders**") approving the acquisition of the Neptune Shares by Blossomvale under the Offer by the requisite majority.

Further details on the Offer (including its terms and conditions) will be set out in the Circular

(as defined in Section 9).

3. CONSIDERATION FOR THE OFFER

3.1 Offer Consideration

- (a) The consideration for the Offer Shares of A\$0.032 per share will be satisfied wholly in cash.
- (b) The aggregate cash consideration payable by Blossomvale under the Offer if acceptances are received in respect of Neptune Shares on issue (other than those Neptune Shares in which Blossomvale has a relevant interest), amounting to 1,467,678,119 Neptune Shares as at 29 October 2012, would be A\$46,965,700.
- (c) As at 29 October 2012, all options to subscribe for new Neptune Shares granted by Neptune pursuant to the Neptune Employee Share Option Plan ("**Neptune Options**") were with exercise prices above the Offer Price. Accordingly, no additional consideration is expected to be payable in respect of the Neptune Options.
- (d) In addition, if the Neptune Board exercises its discretion to vest all performance rights granted by Neptune under the Performance Rights Plan ("**Performance Rights**") and retention rights granted by Neptune to certain executives and key management personnel ("**Retention Rights**") outstanding, amounting to 39,687,822 Performance Rights and Retention Rights as at 29 October 2012, on a change of control resulting from the Offer, then an additional A\$1,270,010 will be payable by Blossomvale under the Offer.
- (e) Accordingly, the maximum aggregate cash consideration that could be payable by Blossomvale under the Offer in respect of the Offer Shares is A\$48,235,710. Although the Offer Price will be adjusted to reflect the Share Consolidation if approved and implemented, this maximum amount will not materially change.

3.2 Source of Funds

Blossomvale intends to finance the Offer through a combination of a funding commitment with United Overseas Bank Limited ("**UOB**") for up to A\$37 million (the "**Facility**"), subject to the entering into of facility documentation and satisfaction of conditions precedent typical for a facility of this nature, and an intra-group facility with the Company of A\$13 million ("**Intra-Group Facility**").

3.3 Offer Price

The Offer Price was determined after taking into account, *inter alia*, the rationale for the Offer as described in Section 5 of this Announcement and the market price of the Neptune Shares. The Offer Price represents:

- (a) a premium of approximately 33.3% over the last transacted price of A\$0.0240 per Neptune Share on the ASX as at 29 October 2012;
- (b) a premium of approximately 19.7% over the volume weighted average price ("**VWAP**") of A\$0.0267 per Neptune Share for the period from 30 September 2012 to 29 October 2012 (being the one-month period prior and up to 29 October 2012);

- (c) a premium of approximately 27.6% over the VWAP of A\$0.0251 per Neptune Share for the period from 30 July 2012 to 29 October 2012 (being the three-month period prior and up to 29 October 2012);
- (d) a premium of approximately 32.0% over the VWAP of A\$0.0242 per Neptune Share for the period from 30 April 2012 to 29 October 2012 (being the six-month period prior and up to 29 October 2012);
- (e) a discount of approximately 32.9% to the net asset value (“NAV”) of Neptune Group of A\$0.048 per share as at 30 June 2012; and
- (f) a premium of approximately 6.4% to the net tangible asset (“NTA”) value of Neptune Group of A\$0.030 per share as at 30 June 2012.

4. INFORMATION ON NEPTUNE

Neptune is the holding company of the Neptune Group and has its headquarters in Perth, Australia. It is listed on the ASX (ASX:NMS) and has a market capitalisation of A\$43.3 million, as at 29 October 2012. The Neptune Group provides engineering services to offshore oil and gas, marine and renewable energy industries.

The principal activities of the consolidated Neptune Group comprise commercial diving, dry underwater welding using the Neptune Group’s patented NEPSYS[®] technology, hydrographic surveying, positioning and geophysical services, NDT (Non-Destructive Testing) and inspection services, pipeline stabilisation and grouting, ROV (Remote Operated Vehicles) services, specialist fabrication, subsea and pipeline engineering, testing and assembly services and end to end project management.

The Neptune Group’s primary focus is the offshore oil and gas sector, where its subsea and topside services can be tailored to provide solutions for both new “greenfield” construction projects and existing “brownfield” inspection, repair and maintenance (IRM) projects.

5. RATIONALE FOR THE OFFER

The Company expects oil and gas drilling activities to remain robust with an increasing focus on deep sea drilling which drives demand in subsea services. Neptune operates in subsea niches in diving, surveying and other related services which are complementary to the Company’s focus on subsea engineering. The Company anticipates that having control of Neptune will create opportunities for the cross selling of services to each other’s customers and strengthen engagement with common customers.

In addition, the Neptune Group is in a net cash position with strong operating businesses and good growth opportunities. The Offer Price will be a discount of 32.9% to the NAV of Neptune Group and a premium of 6.4% to the NTA value of Neptune Group.

6. MAJOR TRANSACTION

The Offer, when made, would constitute a major transaction under Chapter 10 of the Listing Manual. The relative figures computed on the bases set out in Rule 1006 of the Listing

Manual are as follows:

Rule 1006(a)	The net asset value of the assets to be disposed of, compared with the MTQ Group's net asset value	Not applicable ⁽¹⁾
Rule 1006(b)	The net profit attributable to the Neptune Shares acquired, compare with the MTQ Group's net profits ⁽²⁾	13.74%
Rule 1006(c)	The aggregate consideration for the Offer, compared with the MTQ Group's market capitalisation ⁽³⁾	70.88%
Rule 1006(d)	The number of equity securities issued by the Company as Shares Consideration for the Offer, compared with the number of equity securities of the Company previously in issue	Not applicable ⁽⁴⁾

Notes:

- (1) Rule 1006(a) of the Listing Manual is not applicable to an acquisition of assets.
- (2) Under Rule 1002(3)(b) of the Listing Manual, "net profits" is defined as profit or loss before income tax, minority interest and extraordinary items. The relative figure in respect of Rule 1006(b) of the Listing Manual in the table above is derived based on the assumption that the Offer results in Neptune becoming a subsidiary of the Company. This is computed using audited consolidated net loss from continuing operations before taxation of A\$33,092,000 excluding impairment of goodwill of A\$34,959,000 of the Neptune Group for the financial year ended 30 June 2012, adjusted for the maximum percentage of Neptune Shares to be acquired of approximately 80.9%, amounting to a net profit of approximately S\$1,910,000 (A\$1,510,000), divided by the audited consolidated profit before taxation of the MTQ Group for the financial year ended 31 March 2012 of approximately S\$13,898,000.
- (3) The aggregate consideration of the offer of A\$48,235,710 is based on (i) the offer price of A\$0.032 per share (ii) the assumption that the outstanding Performance Rights and Retention Rights as at 29 October 2012, amounting to 39,687,822 Performance Rights and Retention Rights, have been validly exercised prior to the close of the Offer; and (iii) the Neptune Shares on issue (other than those Neptune Shares which MTQ has already owned) amounting to 1,467,678,119 Neptune Shares as at 29 October 2012. MTQ Group's market capitalisation is calculated based on the total number of shares outstanding (excluding treasury shares) of 91,547,826 shares and the weighted average price of the shares transacted on 23 October 2012 (being the date on which the Company's shares were last traded prior to this Announcement) of S\$0.9400.
- (4) Rule 1006(d) of the Listing Manual is not applicable as no equity securities will be issued by the Company as consideration under the Offer.
- (5) As the context requires in the above computations, the exchange rate used of A\$1:S\$1.2645 was obtained from Bloomberg as at 29 October 2012.

As the relative figure computed on the base set out in Rule 1006(c) of the Listing Manual exceeds 20%, the Offer, when made, would constitute a major transaction under Chapter 10 of the Listing Manual and is therefore subject to the approval of MTQ Shareholders.

7. FINANCIAL EFFECTS

7.1 Assumptions

The financial effects of the Offer on the Company as presented herein:

- (a) are based on the Offer Terms;
- (b) are purely for illustrative purposes only and do not reflect a projection of the actual future financial performance or position of the MTQ Group after the close of the Offer;
- (c) are based on the audited consolidated financial statements of the MTQ Group for the financial year ended 31 March 2012 and the audited consolidated financial statements of the Neptune Group for the financial year ended 30 June 2012;
- (d) assume that the acquisition of Neptune Shares, the Offer, is completed, in respect of profit or loss statements on 1 April 2011, and in respect of balance sheets on 31 March 2012. The fair value of share of net assets acquired is assumed to approximate the share of net assets of Neptune as at 30 June 2012. The exchange rates used for consolidating the profit or loss statements and balance sheets items were A\$1: S\$1.3059 and A\$1: S\$1.3070 respectively, which were based on rates published in the Business Times on each of the relevant dates;
- (e) assume that all outstanding Performance Rights and Retention Rights as at 29 October 2012 amounting to 39,687,822 rights, have been validly exercised prior to the close of the Offer;
- (f) no adjustments have been made to align the different financial year-ends of MTQ Group and Neptune Group and any differences that may result from the adoption of different accounting standards and policies by MTQ Group and Neptune Group;
- (g) assume that 26% of the funds required for the acquisition of the Neptune Shares to which the Offer relates is financed using the MTQ Group's internal resources, with the remaining 74% financed through bank borrowings; and
- (h) assume, purely for illustrative purposes only, the following scenarios:
 - (i) the Offer becomes unconditional and the Company acquires 50.1% of the total voting rights in Neptune ("**Control**"); and
 - (ii) following the close of the Offer, the Company acquires 100% of the total voting rights in Neptune and Neptune becomes a wholly-owned subsidiary of the Company ("**Privatisation**").

7.2 Share Capital

As the Offer does not involve the issue and allotment of any MTQ Shares, the Offer has no effect on the share capital of the Company.

7.3 Net Tangible Assets

	Before the Offer	←----- After the Offer -----→	
		Control	Privatisation
NTA (S\$'000)	72,994	69,262	65,970
Total number of issued MTQ Shares	90,279,042	90,279,042	90,279,042
NTA per MTQ Share (cents)	80.85	76.72	73.07

Upon Control and Privatisation, the NTA per MTQ Share decreased by 4.13 cents and 7.78 cents respectively as a result of the Offer Price of A\$0.032 per Neptune Share being at a premium of 6.4% to the NTA per Neptune Share of approximately A\$0.030.

7.4 Earnings Per Share

	Before the Offer	←----- After the Offer -----→	
		Control	Privatisation
Net profit/(loss) after tax and minority interest (S\$'000)	14,607	1,285	(7,931)
Weighted average number of MTQ Shares	89,614,096	89,614,096	89,614,096
Earnings/(Loss) per MTQ Share (cents)	16.30	1.43	(8.85)

The earnings/(loss) per MTQ Share for the Control and Privatisation scenarios stated above include the following:

- net loss of Neptune attributable to the Company's equity holders of A\$20,004,000 (S\$26,123,000) (Control scenario) and A\$39,927,000 (S\$52,141,000) (Privatisation scenario) for the financial year ended 30 June 2012;
- negative goodwill upon acquisition of S\$13,293,000 (Control scenario) and S\$30,886,000 (Privatisation scenario); and
- finance costs of S\$492,000 (Control scenario) and S\$1,283,000 (Privatisation scenario) due to the increase in borrowings as a result of the consideration required for the acquisition of Neptune Shares.

Excluding the extraordinary items, being (i) the impairment of goodwill of A\$17,514,000 (S\$22,872,000) (Control scenario) and A\$34,959,000 (S\$45,654,000) (Privatisation scenario) and (ii) the negative goodwill upon acquisition of S\$13,293,000 (Control scenario) and S\$30,886,000 (Privatisation scenario), and excluding the loss after tax from discontinued operations of Neptune Group attributable to the Company's equity holders of A\$3,073,000 (S\$4,013,000) (Control scenario) and A\$6,133,000 (S\$8,009,000) (Privatisation scenario), earnings per MTQ Share would have been 16.60 cents and 16.57 cents for the Control and Privatisation scenarios respectively.

7.5 Gearing

	Before the Offer	←----- After the Offer -----→	
		Control	Privatisation
Total net borrowings (S\$'000) ⁽¹⁾	19,312	36,747	75,631
Shareholders' funds (S\$'000) ⁽²⁾⁽⁴⁾	86,692	103,929	121,522
Gearing (%) ⁽³⁾⁽⁴⁾	22.28	35.36	62.24

Gearing increased for the Control and Privatisation scenarios due to the increase in borrowings as a result of the consideration required for the acquisition of Neptune Shares.

Notes:

- (1) Total net borrowings refer to the aggregate of the MTQ Group's borrowings from financial institutions and finance leases less cash and cash equivalents.
- (2) Shareholders' funds refer to the aggregate amount of the MTQ Group's share capital, fair value reserve, currency translation reserve and retained earnings.
- (3) Gearing is defined as the ratio of the MTQ Group's total net borrowings to its shareholders' funds.
- (4) Excluding the negative goodwill arising upon consolidation, the shareholders' funds would be S\$90,636,000 for both Control and Privatisation scenarios, resulting in the gearing of 40.54% and 83.44% for the Control and Privatisation scenarios respectively.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Mr. Kuah Kok Kim is a controlling shareholder and non-executive chairman of the Company. Mr. Kuah Boon Wee, the son of Mr. Kuah Kok Kim, is a director of both the Company and Neptune. Save as disclosed aforesaid and save for the interests of the Directors and substantial shareholders of the Company in the Offer by virtue of their directorships and/or shareholdings in the Company (as the case may be), none of the Directors or the controlling shareholders of the Company has any interest, direct or indirect, in the Offer.

As at 29 October 2012, the Company holds 355,798,115 Neptune Shares representing approximately 19.51% of all the issued Neptune Shares.

9. CIRCULAR

A circular containing further information on the Offer (the "**Circular**"), together with a notice of the extraordinary general meeting of the Company ("**EGM**") to be convened, will be despatched by the Company to MTQ Shareholders in due course.

The board of directors recommend that the MTQ Shareholders vote in favour of the resolution to approve the Offer. In the meantime, MTQ Shareholders who are in any doubt as to the action that they should take should consult their stockbroker, bank manager, accountant, solicitor or other professional advisers immediately.

10. FINANCIAL ADVISER

CIMB Bank Berhad, Singapore Branch has been appointed as financial adviser in relation to the MTQ Shareholders' approval of the Offer.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Company (including any who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Announcement are fair and accurate and that no material facts have been omitted from this Announcement, and the directors of the Company jointly and severally accept full responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Announcement.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 182 Pandan Loop Singapore 128373 during normal business hours for a period of 3 months from the date of this Announcement:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Offer Announcement;
- (c) the Bidder's Statement; and
- (d) the annual report of the Company for the financial year ended 31 March 2012.

**BY ORDER OF THE BOARD
MTQ CORPORATION LIMITED**

DOMINIC SIU MAN KIT
COMPANY SECRETARY

30 October 2012