

MTQ CORPORATION LIMITED
(Incorporated in Singapore)
(Company Registration No. 196900057Z)

**PROPOSED DISPOSAL OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF
MTQ ENGINE SYSTEMS (AUST) PTY LTD TO BAPCOR LIMITED**

1. INTRODUCTION

The board of directors (“**Board**”) of MTQ Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 4 October 2016 entered into a share sale agreement (the “**SPA**”) with Bapcor Limited (the “**Purchaser**”), pursuant to which the Company has agreed to sell to the Purchaser the entire issued and paid-up share capital of MTQ Engine Systems (Aust) Pty Ltd (“**MTQES**”), a wholly-owned subsidiary of the Company, on the terms and subject to the conditions of the SPA (the “**Proposed Disposal**”).

The Proposed Disposal constitutes a “Major Transaction” under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Listing Manual**”).

2. PROPOSED DISPOSAL

2.1 Information on MTQES

MTQES is a wholly-owned subsidiary of the Company which was incorporated in Australia in 1999 and is principally engaged in the sales and services relating to turbochargers, fuel injection parts and automotive performance parts in Australia. MTQES has an issued and paid-up capital of A\$5,000,000 comprising of 5,000,000 ordinary shares of A\$1 each.

Based on the Group’s audited financial statements for the financial year ended 31 March 2016 (“**FY2016**”) and the unaudited financial statements for the three months financial period ended 30 June 2016 (“**1Q2017**”):

- (i) the carrying amount and net tangible asset value of MTQES as at 31 March 2016 were S\$15,146,000 (A\$14,691,000) and S\$9,856,000 (A\$9,559,000) respectively;

- (ii) the carrying amount and net tangible asset value of MTQES as at 30 June 2016 were S\$15,648,000 (A\$15,601,000) and S\$9,580,000 (A\$9,551,000) respectively; and
- (iii) the net profits (before income tax, minority interests and extraordinary items) attributable to MTQES for FY2016 and 1Q2017 was S\$1,604,000 (A\$1,576,000) and S\$683,000 (A\$677,000), respectively.

2.2 Purchaser

The Purchaser is a company incorporated in Australia in 2011 and was listed on the Australian Securities Exchange on 24 April 2014. The Purchaser's main business is in the sale and distribution of motor vehicle parts, automotive equipment and accessories. It also distributes automotive aftermarket parts and consumables to trade workshops for the service and repair of vehicles, and automotive accessories and maintenance products to vehicle owners.

2.3 Purchase Price

2.3.1 Computation

Pursuant to the terms of the SPA, the purchase price ("**Purchase Price**") for the Proposed Disposal shall be based on a formula of:

- (i) 6.1 times sustainable earnings of MTQES, being the earnings of MTQES before, amongst other things, interest, taxes, depreciation, amortisation, any management fee paid or payable to the Company, gain or loss on fixed assets disposal and currency gain or loss on loans due to the Company for the twelve (12) months period ending 30 September 2016 ("**Relevant Period**") and adjusted for certain agreed items ("**Sustainable EBITDA**"); plus
- (ii) certain deferred tax assets ("**Deferred Tax Assets**"); and less
- (iii) certain included debts ("**Included Debts**").

The formula for the Purchase Price was agreed by the parties after taking into consideration the working capital ("**Working Capital**"), fixed assets ("**Fixed Assets**"), inventories ("**Inventories**") and cash ("**Cash**") of MTQES as at Completion. Pursuant to the terms of the SPA, the Purchase Price will be subject to adjustments on a dollar to dollar basis if the value of Working Capital, Fixed Assets, Cash and Inventories as at completion of the Proposed Disposal ("**Completion**") falls below or exceeds certain values as agreed.

2.3.2 Estimated Purchase Price

As the Purchase Price is subjected to the above adjustments and the determination of the Sustainable EBITDA, the actual Purchase Price will not be finalised until after completion of the Proposed Disposal. Having reference to the audited accounts of MTQES for the financial years ended 31 March 2015 and 31 March 2016, and the management accounts for the financial period from 1 April 2016 to 31 July 2016, the estimated Purchase Price is approximately A\$17.0 million ("**Estimated Purchase Price**").

2.3.3 Payment of First Tranche

Under the terms of the SPA, the parties have agreed that the Purchase Price will be paid in two (2) tranches and that the first tranche shall be based on the Estimated Purchase Price. In particular, pursuant to the SPA, the Purchase Price shall be paid in the following manner:

- (i) 70% of the Estimated Purchase Price (approximately A\$11,900,000) less the Agreed Loan (as defined below) shall be payable upon Completion ("**Completion Payment**");
- (ii) 30% of the Estimated Purchase Price ("**Deferred Purchase Price**"), plus or less the Adjustment Amount (as defined below) shall be payable as follows:
 - (a) If the Adjustment Amount is greater than zero then:
 - (1) the Deferred Purchase Price will be increased by that amount; and
 - (2) the Purchaser must pay the Company the Deferred Purchase Price no later than the date falling 15 days after the date that the Completion Statement is finalised in accordance with the SPA ("**Completion Statement Date**"); or
 - (b) If the Adjustment Amount is less than zero:
 - (1) then the Deferred Purchase Price will be decreased by that amount; and
 - (2) if, after subtracting the Adjustment Amount, the Deferred Purchase Price is less than zero, the Company must pay the

Purchaser the Deferred Purchase Price no later than the date falling 15 days after the Completion Statement Date; or

- (3) if, after subtracting the Adjustment Amount, the Deferred Purchase Price is greater than zero, the Purchaser must pay the Company the Deferred Purchase Price no later than the date falling 15 days after the date that the Completion Statement is finalised in accordance with the SPA.

2.3.4 Completion Statement

The Purchaser must as soon as reasonably possible, but in any event no later than thirty (30) days after the Completion Date, prepare the monthly management accounts for the period commencing 1 August 2016 and ending on the last day of the month immediately preceding the Completion Date and a completion statement as at the close of business on the Completion Date ("**Completion Statement**").

The Completion Statement will set out the aggregate adjustment of the Deferred Purchase Price in favour of the Company or the Purchaser ("**Adjustment Amount**"). Pursuant to the terms of the SPA, the adjustment will be determined having regard, amongst others, the Sustainable EBITDA for the Relevant Period and the Deferred Tax Assets, Included Debts, the Working Capital, Fixed Assets, Cash and Inventory as at Completion (as set out in the Completion Statement).

2.3.5 Settlement of Purchase Price

The Purchase Price shall be payable wholly in cash, or at the election of the Company, up to 50% of the Purchase Price may be paid by way of new ordinary shares in the issued capital of the Purchaser ("**Bapcor Shares**"). For more details, please refer to section 2.4.2 of this announcement.

2.4 **Other Salient Terms of the Proposed Disposal**

2.4.1 Conditions Precedent

The Completion is conditional upon the following conditions precedent ("**Conditions**"):

- (a) **Material Contracts:** To the extent reasonably required by the Purchaser, the parties to each of the material contracts (other than MTQES) giving their consent (in a form satisfactory to the Purchaser acting reasonably) to the change in control of MTQES which occurs as a result of the transactions contemplated by the SPA.

- (b) **Leases:** To the extent reasonably required by the Purchaser, the parties to each of the certain leases referred to in the SPA ("**Leases**") (other than MTQES):
- (i) giving their consent (in a form satisfactory to the Purchaser acting reasonably) to the change in control of MTQES which occurs as a result of the transactions contemplated by the SPA; and
 - (ii) confirming that the Leases remain in full force and effect in accordance with their terms, that MTQES is not in breach of any of the terms of the Leases and that there is no basis upon which any of the parties to the Leases (other than MTQES) can lawfully terminate the Leases (whether with or without notice).
- (c) **Board Approval:** The Purchaser receiving approval from its board of directors to perform and satisfy all of its obligations under the SPA.
- (d) **Competition and Consumer Law:** The Purchaser obtaining advice or concluding to its reasonable satisfaction that the entry into the SPA and Completion does not require approval or authorisation from any governmental authority and in particular, is not contrary to the provisions of the Competition and Consumer Act 2010 (Cth) or if necessary, obtaining requisite approval or authorisation from any relevant governmental authority or the Australian Competition and Consumer Commission to enter into and complete the SPA.
- (e) **Encumbrances:** Each encumbrance (save and except certain permitted encumbrances) over an asset of MTQES is discharged or released to the satisfaction of the Purchaser in its absolute discretion.
- (f) **Tax Sharing Agreement, Tax Funding Agreement and Clear Exit Deed of Release:** MTQES entering into a tax sharing agreement and a tax funding agreement with a wholly owned Australian subsidiary of the Company to formalise the exiting tax sharing and tax funding arrangement, and separately entering into a deed of release for each of the tax sharing agreement and the tax funding agreement, to the reasonable satisfaction of the Purchaser.
- (g) **Legal Opinion:** The Company delivering to the Purchaser a legal opinion from a reputable law firm registered in Singapore, in favour of the Purchaser, that the Company is duly registered in Singapore and capable of entering into the SPA and that no charge or any other encumbrance over the shares of MTQES has been recorded in the register of charges of the Company and/or have been registered or otherwise lodged by the Company with the Accounting and Corporate Regulatory Authority of Singapore.

- (h) **Equipment Finance Agreements:** To the extent reasonably required by the Purchaser, the parties to certain equipment finance agreements referred to in the SPA giving their consent (in a form satisfactory to the Purchaser acting reasonably) to the change in control of MTQES which occurs as a result of the transactions contemplated by the SPA.
- (i) **Loan and borrowings:** The Company providing evidence to the Purchaser that the Company has fully repaid and discharged, *inter alia*, the loan facility granted to MTQES and any other debt not to be assumed by MTQES after Completion.
- (j) **MTQ Shareholder and Regulatory Authority Approval:** The Company:
 - (i) obtaining the approval of shareholders of the Company (“**Shareholders**”) for the transactions contemplated by the SPA in general meeting and the approval of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), each on terms acceptable to the Company; or
 - (ii) in the event that the Company does not seek Shareholders’ approval, delivering to the Purchaser a legal opinion from a reputable law firm registered in Singapore, in favour of the Purchaser, that the approval of the Shareholders is not required in order for the Company to enter into and perform the SPA.

2.4.2 Company’s Right to Acquire Purchaser’s Shares

The Purchaser agrees that the Company may elect to receive up to 50% of the Purchase Price in Bapcor Shares in lieu of cash, subject to any requisite approval of the board or shareholders of the Purchaser.

In the event that the Company elects to receive any of the Purchase Price in Bapcor Shares, the number of Bapcor Shares to be issued to the Company will be calculated by dividing the amount owing by the volume weighted average price of the Bapcor Shares for the 30 days preceding the date of the SPA.

2.4.3 Completion

The Completion is conditional on the fulfilment of the Conditions on or before the date falling three months from the date of the SPA or such other date as the parties to the SPA may agree in writing (“**Long Stop Date**”). In the event that Conditions 2.4.1(a) – (i) have not been fulfilled (or waived) prior to the Long Stop Date, the Purchaser may terminate the SPA by notice in writing to the other party. In the event that Condition 2.4.1(j) has not

been fulfilled (or waived) prior to the Long Stop Date, the Company or the Purchaser may terminate the SPA by notice in writing to the other party.

The date of Completion ("**Completion Date**") shall be the first business day of the month following the satisfaction of the last outstanding Condition or such other date as the Company and the Purchaser may agree in writing.

2.4.4 Agreed Loan

Immediately prior to Completion, and subject to the Conditions being satisfied or waived, the Purchaser must loan ("**Agreed Loan**") to MTQES, on an interest-free basis, an amount equal to the outstanding balance of all loans from, and other payables to, a related entity or affiliate of the Company as at Completion ("**Related Party Loans**"). The Agreed Loan will be repayable on demand by the Purchaser after Completion.

The Vendor acknowledges and agrees that the Agreed Loan constitutes part-payment of the Purchase Price.

Further, the Company must procure that:

- (i) MTQES applies the Agreed Loan in full repayment and satisfaction of the Related Party Loans prior to Completion; and
- (ii) the aggregate outstanding under the Related Party Loans before the Agreed Loan is will be less than the Completion Payment (before the deduction of the Related Party Loans).

2.4.5 Restraint of trade

The Company and its related entities undertake to the Purchaser that they will not, and that they will procure that each of its affiliates will not, for a period of:

- (a) five years after the Completion Date;
- (b) four years after the Completion Date;
- (c) three years after the Completion Date;
- (d) two years after the Completion Date;
- (e) one year after the Completion Date;

and in each case within:

- (i) the Commonwealth of Australia;
- (ii) the State of Victoria;
- (iii) the State of New South Wales;
- (iv) the State of Queensland;
- (v) the State of South Australia;
- (vi) the State of Western Australia;
- (vii) the State of Tasmania;
- (viii) the Australian Capital Territory;
- (ix) the Northern Territory;
- (x) 200km radius of the metropolitan area of the capital city of each State or Territory of Australia;
- (xi) 100km radius of the metropolitan area of the capital city of each State or Territory of Australia;
- (xii) 50km radius of the metropolitan area of the capital city of each State or Territory of Australia; and
- (xiii) the metropolitan areas of the capital city of each State or Territory of Australia;

do any one or more of the following:

- (A) directly or indirectly and either on its own account or jointly with or on behalf of any other person or corporation or through any related body corporate or related entity and in any capacity (whether as owner, shareholder, principal, agent, employee, consultant, contractor or any other capacity whatsoever) or by any means whatever, carry on or be engaged in or concerned with any business or trade of the same or similar type as, or which is competitive with, the diesel and turbo service, sales and repairs business carried on by MTQES in the Commonwealth of Australia ("**Business**");
- (B) on its own account or for any person, enterprise, firm, trust, joint venture, or syndicate attempt to entice, entice or cause any person who has been a

customer of, or supplier to, MTQES within a period of twelve months prior to the Completion Date to cease transacting business with MTQES;

- (C) on its own account or for any person, enterprise, firm, trust, joint venture, or syndicate entice away or attempt to entice away from MTQES any employee of MTQES. For the purpose hereof, the restriction shall not prohibit the Company from carrying out recruitment by way of advertisement or notices made generally to the public; or
- (D) personally or by its employees or agents or by circulars, letters or advertisements whether on its own account or for any person, enterprise, firm, trust, joint venture, or syndicate take any actions that may materially harm or negatively impact upon the Business of MTQES.

2.4.5 Use of MTQ name

- (a) The Purchaser agrees and acknowledges that, except as provided in paragraph 2.4.5(b) and subject to the rights granted under a licence deed to be entered into between the parties (“**Licence Deed**”), the Company will retain all rights, titles and interests in the name, phrase and word “MTQ” and will have the exclusive right to use the name "MTQ" as part of any company name, business name or trade mark, whether registered or unregistered, notwithstanding Completion.
- (b) Upon Completion, MTQES shall retain ownership of the trade mark containing the word "MTQ", currently registered in favour of MTQES, and the Company shall grant to MTQES a perpetual non-assignable licence, in the form of the Licence Deed.

3. **THE PROPOSED DISPOSAL AS A “MAJOR TRANSACTION”**

Based on the unaudited financial statements of the Company for 1Q2017, the relative figures in relation to the Proposed Disposal computed on the bases set out under Rule 1006 of the Listing Manual are as follows:

1.	Rule 1006(a)	
	Net asset value of MTQES	S\$15,146,000
	Net asset value of the Group	S\$109,037,000
	Relative figure	13.9%
2.	Rule 1006(b)	
	Net profits attributable to MTQES for 1Q2017	S\$683,000
	Net loss of the Group for 1Q2017	(S\$2,466,000)

	Relative figure	-27.7% ⁽¹⁾
3.	Rule 1006(c)	
	Aggregate value of consideration	S\$17,663,000 ⁽²⁾
	Market capitalisation of the Company	S\$61,805,976 ⁽³⁾
	Relative figure	28.6%
4.	Rule 1006(d)	
	Number of shares to be issued by the Company as consideration for an acquisition	Not applicable to the Proposed Disposal
	Number of shares in issue of the Company	
	Relative figure	
5.	Rule 1006(e)	
	Aggregate volume or amount of proved and probable reserves to be disposed of	Not applicable to the Proposed Disposal
	Aggregate of the group's proved and probable reserves	
	Relative figure	

Notes:

- (1) As the relative figure under Rule 1006(b) is a negative figure, a comparison is not meaningful.
- (2) Based on Estimated Purchase Price of A\$17,000,000 translated at S\$1.00: A\$1.039.
- (3) The market capitalisation of the Company is based on the total number of shares excluding treasury shares of 154,514,941 multiplied by the volume weighted average price of S\$0.400 on 29 September 2016 being the last traded market day preceding the date of this announcement.

As the applicable relative figures computed on the bases of Rule 1006(c) is more than 20%. Accordingly, the Proposed Disposal will be classified as a “Major Transaction” under Chapter 10 of the Listing Manual. In accordance with Rule 1014 of the Listing Manual, a major transaction must be made conditional upon approval by Shareholders in a general meeting.

The Company will be seeking approval of Shareholders at an extraordinary general meeting to be convened. A circular containing, *inter alia*, details of the Proposed Disposal, together with the notice of extraordinary general meeting, will be despatched to Shareholders in due course.

4. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal on the Group are prepared based on the Group's audited consolidated financial statements for FY2016 and the Estimated Purchase Price of A\$17,000,000. For the purpose of computing the earnings per share ("EPS") of the Group after the Proposed Disposal, it is assumed that the Proposed Disposal was completed on 1 April 2015. For the purpose of computing the net tangible assets ("NTA") per share and gearing of the Group, it is assumed that the Proposed Disposal was completed on 31 March 2016.

It should be noted that the financial effects set out below are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Company and the Group after the completion of the Proposed Disposal.

4.1 Share capital

As at the date of this announcement, the issued and paid-up capital of the Company is S\$37,126,760.18 comprising 154,521,452 Shares, including 6,511 shares held by the Company as treasury shares. As the Proposed Disposal does not involve the issue and allotment of any new Shares, the Proposed Disposal will have no effect on the share capital of the Company.

4.2 NTA per Share

The effect of the Proposed Disposal on the consolidated NTA per Share of the Group is as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	97,738	105,370
Number of Shares (excluding treasury shares)('000)	154,373	154,373
NTA per Share (Singapore cents)	63.31	68.26

4.3 EPS

The effect of the Proposed Disposal on the consolidated EPS of the Group is as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net profit/(loss) attributable to Shareholders (S\$'000)	(18,467)	(20,240)
Weighted average number of Shares (excluding treasury shares) ('000)	154,320	154,320
Loss per Share (Singapore cents)	(11.97)	(13.12)

4.4 Gearing

	Before the Proposed Disposal	After the Proposed Disposal
Net debt (S\$'000)	19,120	1,593 ⁽¹⁾
Total equity (S\$'000)	113,374	115,754
Gearing ratio	14.4%	1.4%

(1) Assuming the Company elects to receive the full Purchase Price in cash.

5. EXCESS ON PROPOSED DISPOSAL

The estimated Purchase Price of S\$17,663,000 (A\$17,000,000) represents an excess of S\$2,015,000 to the carrying amount of MTQES as at 30 June 2016. Based on the carrying amount of MTQES and the accumulated foreign exchange losses of S\$2,622,000 residing in the Group's currency translation reserve as at 30 June 2016, the Group is expected to record a loss on the Proposed Disposal of approximately S\$607,000.

6. RATIONALE FOR THE PROPOSED DISPOSAL

The estimated Purchase Price is approximately S\$2.0 million in excess of the carrying amount of MTQES. Separately, based on the estimated Purchase Price, the Proposed Disposal will improve the Groups net tangible asset by approximately S\$7.1 million.

In recent years, as the Group has expanded into the oilfield engineering and subsea services areas, MTQES's Business now constitutes a non-core business of the Group and the Proposed Disposal will allow the Company to streamline its business and

activities across the Group and to focus its resources on its core business. As the Business is entirely unrelated to the other businesses of the Group, the directors of the Company (“**Directors**”) are of the view that the Proposed Disposal will not result in a change to the Group’s risk profile and will not affect the nature and existing operations of the Group’s core business.

With the Proposed Disposal, the Company will substantially reduce its liabilities, improve its gearing and have more working capital to fund its operations, expand its core businesses and/or undertake new investment opportunities that may arise in the future, which may result in higher value to the shareholders.

In view of the above, the Board is of the view that the Proposed Disposal is in the interest of the Company and its Shareholders.

7. USE OF PROCEEDS

The estimated net proceeds from the Proposed Disposal (“**Net Proceeds**”), based on the estimated Purchase Price and after deducting estimated costs and expenses to be incurred in connection with the Proposed Disposal, are approximately S\$17.7 million.

The Company intends for the Net Proceeds raised to be used for repayment of bank borrowings, for the general working capital requirements of the Group and to fund future business expansions, investments and acquisitions when suitable opportunities arise.

Pending the deployment of the unutilised proceeds for the purposes mentioned above, such proceeds may be deposited with banks and/or financial institutions, invested in short term money markets and/or marketable securities, or used for any other purpose on a short term basis, as the Directors may deem appropriate in the interests of the Group.

8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their shareholding interest in the Company (if any), none of the Directors or controlling shareholders of the Company has any interest, whether direct or indirect, in the Proposed Disposal.

9. DIRECTORS’ SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any person.

10. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the SPA, the Proposed Disposal, the Company and MTQES, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

11. DOCUMENTS FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours at the registered office of the Company at 182 Pandan Loop, Singapore 128373 for a period of three (3) months from the date of this announcement.

12. CAUTIONARY STATEMENT

Shareholders should note that the Proposed Disposal is subject to the fulfilment of the conditions precedent set out above and accordingly, should exercise caution when trading in the Shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

The Company will make the necessary announcements when there are further developments on the Proposed Disposal.

BY ORDER OF THE BOARD

Dominic Siu Man Kit
Company Secretary
4 October 2016