

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

**PROPOSED ACQUISITION OF THE ENTIRE ISSUED
SHARE CAPITAL OF THE IN-LINE GROUP**

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 25 July 2017 entered into a share purchase agreement (the “**SPA**”) with two (2) sellers (the “**Sellers**”), pursuant to which the Sellers have agreed to sell to the Company the entire issued share capital (the “**Sale Shares**”) of In-Line Valve Company Limited (“**In-Line UK**”) and In-Line Valve ME Limited (“**In-Line ME**”), collectively, the In-Line group (“**In-Line Group**”), on the terms and subject to the conditions of the SPA (the “**Proposed Acquisition**”).

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

2. PROPOSED ACQUISITION

2.1 Information on the In-Line Group

The In-Line Group has been in operation for around 15 years, having its headquarters in United Kingdom and is active in North Africa, the Middle East and South East Asia. The In-Line Group’s main focus is in flow control valves for the upstream oil and gas industry. The services the In-Line Group offers include design, engineering, assembly and testing of flow control valves.

The estimated unaudited consolidated net book value and net tangible assets of the In-Line Group as at 30 June 2017, adjusted for items to be excluded from In-Line Group before the completion of the Tranche 1 Shares (as defined below), is approximately S\$517,000. The unaudited profits before tax of the In-Line Group for the financial year ended 30 June 2017 is approximately S\$739,000.

2.2 Information on the Sellers

The Sellers are two (2) private individuals based in United Kingdom and they are not related to any of the directors of the Company (“**Directors**”) and controlling shareholders of the Company.

2.3 Sale Shares

The Sellers have agreed to sell and the Company has agreed to purchase the Sale Shares in three tranches, as follows:

- (i) On the date of the SPA, the Sellers shall sell and the Company shall purchase (a) 33 A Ordinary Shares of £0.01 each in the capital of In-Line UK registered in the name of Seller 1; (b) 33 A Ordinary Shares of £0.01 each in the capital of In-Line UK registered in the name of Seller 2; and (c) 333 shares of AED 1 each in the capital of the In-Line ME registered in the name of Seller 1 (the “**Tranche 1 Shares**”);
- (ii) On 29 June 2018, the Sellers shall sell and the Company shall purchase (a) 33 A Ordinary Shares of £0.01 each in the capital of In-Line UK registered in the name of Seller 1, (b) 33 A Ordinary Shares of £0.01 each in the capital of In-Line UK registered in the name of Seller 2 and (c) 333 shares of AED 1 each in the capital of the In-Line ME registered in the name of Seller 1 (the “**Tranche 2 Shares**”); and
- (iii) On 28 June 2019, or, if later, the date upon which the EBITDA accounts and the EBITDA statement are agreed or determined in accordance with the terms of the SPA, the Sellers shall sell and the Company shall purchase (a) 34 A Ordinary Shares of £0.01 each in the capital of In-Line UK registered in the name of Seller 1, (b) 34 A Ordinary Shares of £0.01 each in the capital of In-Line UK registered in the name of Seller 2 and (c) 334 shares of AED 1 each in the capital of In-Line ME registered in the name of Seller 1 (the “**Tranche 3 Shares**”).

The Sale Shares shall be sold with full title guarantee, free from all encumbrances and together with all rights that attach (or may in the future attach) to the Sale Shares including, in particular, the right to receive all dividends and distributions declared, made or paid on or after the respective completion dates; save that (a) any dividends declared and payable in respect of the Tranche 2 Shares from the profits for the financial year ended 30 June 2018; and (b) any dividends declared and payable in respect of the Tranche 3 Shares from the profits for the financial year ended 30 June 2019, shall be made to the Sellers.

2.4 Purchase Price

Pursuant to the terms of the SPA, the purchase price (the “**Purchase Price**”) for the Sale Shares is as follows:

- (i) the consideration for the Tranche 1 Shares shall be £1.0 million;
- (ii) the consideration for the Tranche 2 Shares shall be £1.0 million; and

- (iii) the consideration for the Tranche 3 Shares shall be based on the average earnings before all interest, tax, depreciation and amortisation and after exclusion of all exceptional items for the period from 1 July 2017 to 30 June 2019, subject to a maximum of £1.0 million.

As the final Purchase Price is subjected to the final computation of the Tranche 3 Shares Consideration, the actual Purchase Price will not be finalized until the completion of the sale and purchase of the Tranche 3 Shares and consequently the completion of the Proposed Acquisition (“**Completion**”). Based on the terms of the SPA, the maximum Purchase Price payable is £3.0 million (“**Maximum Purchase Price**”).

2.5 Shareholders’ Agreement

In connection with the Proposed Acquisition, the Company has on 25 July 2017 entered into a shareholder’s agreement with the Sellers, In-Line UK and In-Line ME, for the purpose of regulating their rights as shareholders in relation to In-Line UK and In-Line ME (“**Shareholders’ Agreement**”).

3. THE PROPOSED ACQUISITION AS A “DISCLOSABLE TRANSACTION”

Based on the audited consolidated financial statements of the Company for the financial year ended 31 March 2017 (“**FY2017**”), the relative figures in relation to the Proposed Acquisition computed on the bases set out under Rule 1006 of the Listing Manual are as follows:

Rule	Bases of computation	Size of relative figures
Rule 1006(a)	Net asset value of assets being disposed of, compared with the Group's net asset value	Not applicable as this is an acquisition
Rule 1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	As the relative figure under Rule 1006(b) is a negative, a comparison is not meaningful
Rule 1006(c)	Aggregate value of Maximum Purchase Price received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	8.9% ⁽¹⁾
Rule 1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as no equity securities of the Company will be issued as consideration for the Proposed Acquisition

Rule 1006(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 as this is not a disposal of asset
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Notes:

- (1) Based on the Maximum Purchase Price of £3.0 million and the market capitalization of S\$59,488,000 of the Company as of 24 July 2017.
- (2) As the context requires in the computations of the relative figures above, the exchange rate used shall be £1: S\$1.77.

Based on the relative figures computed above, the Proposed Acquisition constitutes a disclosable transaction under Rule 1010 of the Listing Manual of the SGX-ST. As none of the relative figures exceed 20%, the Proposed Acquisition does not constitute a major transaction under Rule 1014, and accordingly, shareholders' approval is not required for the Proposed Acquisition.

4. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition on the Group are prepared based on the Group's audited consolidated financial statements for FY2017; (ii) the Maximum Purchase Price of £3.0 million; (iii) the unaudited consolidated income statement of the In-Line Group for the financial year ended 30 June 2017; and (iv) the estimated unaudited consolidated balance sheet of the In-Line Group as at 30 June 2017, adjusted for items to be excluded from In-Line Group before the completion of the Tranche 1 Shares.

For the purpose of computing the earnings per share ("EPS") of the Group after the Proposed Acquisition, it is assumed that the Proposed Acquisition was completed on 1 April 2016. For the purpose of computing the net tangible assets ("NTA") per share and gearing of the Group, it is assumed that the Proposed Acquisition was completed on 31 March 2017.

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 Acquisition.

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 Acquisition does not involve the issue and allotment of any new Shares, the Proposed Acquisition will have no effect on the share capital of the Company.

4.2 EPS

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

	Before the Proposed Acquisition	After the Proposed Acquisition
Loss per Share (Singapore cents)	(9.80)	(9.34)

4.3 NTA per Share

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

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA per Share (Singapore cents)	53.97	50.85

4.4 Gearing⁽¹⁾

	Before the Proposed Acquisition	After the Proposed Acquisition
Gearing ratio	9%	14%

Note:

- (1) Gearing is defined as the ratio of net debt to net capitalisation. Net debt is defined as gross debt less cash and bank balances. Net capitalisation is the aggregate of net debt and total equity.

5. RATIONALE FOR THE PROPOSED ACQUISITION

The Company views the Proposed Acquisition as an opportunity to increase the scope and scale of its core oilfield operations in the following ways:

- (i) the services and products offered by In-Line Group are complementary to the Group's existing businesses;
- (ii) the In-Line Group has built up over the years extensive sales contacts in the Middle East where activity level continues to be strong despite the market downturn; and
- (i) new design capability and product knowledge will enhance the core competencies of the Group.

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

6. 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 Acquisition.

7. DIRECTORS' SERVICE CONTRACTS

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

8. 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 Acquisition, the Company and the In-Line Group, 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.

9. DOCUMENTS FOR INSPECTION

A copy of the SPA and the Shareholders' Agreement is available for inspection from, Monday to Friday, 8.00 am to 5.30 pm, 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.

10. CAUTIONARY STATEMENT

Shareholders should note that the Proposed Acquisition 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 Acquisition.

BY ORDER OF THE BOARD

Dominic Siu Man Kit
Company Secretary
25 July 2017