

CIRCULAR DATED 13 SEPTEMBER 2019

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by MTQ Corporation Limited (the “**Company**”). If you are in any doubt as to the contents of this Circular or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, financial, tax or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, you should forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser, transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Circular.



MTQ CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 196900057Z)

CIRCULAR TO SHAREHOLDERS

in relation to

**THE PROPOSED DISPOSAL OF SUBSIDIARY BUSINESS
BY NEPTUNE MARINE SERVICES LIMITED, A SUBSIDIARY OF THE COMPANY,
TO MMA OFFSHORE LIMITED**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	29 September 2019 at 10.00a.m.
Date and time of Extraordinary General Meeting	:	1 October 2019 at 10.00a.m.
Place of Extraordinary General Meeting	:	Genting Hotel Jurong, Genting Ballroom 3, Level 1, 2 Town Hall Link, Singapore 608516

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated.

- “1QFY2020”** : The three months financial period ended 30 June 2019
- “Act”** : The Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time
- “Adjustment Date”** : The date falling 14 days after the later of:
- (i) the date on which the Fixed Assets Amount is finally agreed or determined in accordance with the terms of the SPA; and
 - (ii) the date on which the Working Capital Amount is finally agreed or determined in accordance with the terms of the SPA,
- or such earlier date as the Buyer and Seller may agree in writing, each acting reasonably
- “Assets”** : The property, rights and assets owned or held by any member of the Neptune Group, other than the Excluded Assets and the shares in each of the Non-Transferring Entities
- “ASX”** : Australian Securities Exchange
- “Blossomvale”** : Blossomvale Investments Pte Ltd
- “Board”** : The board of Directors of the Company as at the date of the Circular
- “Business”** : All of the property, rights and assets and the entire business of the Neptune Group (except only for the Excluded Assets and the shares in each of the Non-Transferring Entities, which Neptune Marine will retain following completion of the Proposed Disposal by its continued ownership of the Non-Transferring Entities)
- “Business Days”** : A day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Perth, Western Australia
- “Buyer”** : MMA Offshore Limited
- “Buyer Group”** : The Buyer and its related bodies corporate from time to time (including the Target Companies following Completion)
- “Buyer Shares”** : Ordinary share in the capital of the Buyer
- “Cash Consideration”** : Cash of A\$5,000,000
- “Cash Maintenance Obligation”** : Obligation by Neptune Marine which for the duration of the Maintenance Period, it undertakes not to apply, encumber, deal with, distribute (to shareholders of Neptune Marine, creditors of the Neptune Group, or otherwise) or otherwise spend or allocate that Maintained Cash Amount (or agree to do any such thing), so that it remains exclusively available for Neptune Marine to apply in satisfying any claim made by the Buyer under or in connection with the SPA
- “CDP”** : The Central Depository (Pte) Limited

DEFINITIONS

“Circular”	:	This circular to Shareholders dated 13 September 2019
“Company”	:	MTQ Corporation Limited
“Completion”	:	Completion of the Proposed Disposal in accordance with the terms and conditions of the SPA
“Completion Date”	:	Date where Completion takes place: <ul style="list-style-type: none">(a) at 11.00a.m. (Perth time) at the offices of Ashurst in Perth (or such other time or place as the parties agree in writing); and(b) on the day which is the later of:<ul style="list-style-type: none">(i) seven business days after the day on which each of the Conditions (other than the Conditions in Sections 2.5.1(b), 2.5.1(j) and 2.5.1(l)) has been satisfied (or waived as permitted by and otherwise in accordance with the SPA); and(ii) eleven business days after the date of the General Meeting (assuming, to avoid doubt, each of the Conditions (other than the Conditions in Sections 2.5.1(b), 2.5.1(j) and 2.5.1(l)) has been satisfied (or waived as permitted by and otherwise in accordance with the SPA)), or such other date as the parties agree in writing
“Completion Statement”	:	The completion statement prepared in accordance with the SPA
“Conditions”	:	The conditions as substantially listed in Section 2.5.1 of this Circular
“Consideration”	:	Consideration for the sale and purchase of the Sale Shares
“Consideration Shares”	:	Buyer Shares to be calculated in accordance with the SPA
“Constitution”	:	The constitution of the Company, as may be amended or modified or supplemented from time to time
“Control”	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating practice of the Company
“Controlling Shareholder”	:	A person who: <ul style="list-style-type: none">(a) holds directly or indirectly 15% or more of the issued share capital of the Company; or(b) in fact exercises Control over the Company
“Deed of Guarantee”	:	A deed of guarantee entered into between the Company and the Buyer on 23 July 2019 in conjunction with the SPA

DEFINITIONS

“Direct Target Companies”	:	(i) Neptune Asset Integrity Services Pty Ltd; (ii) Neptune Subsea Engineering Pty Ltd; (iii) Neptune Geomatics Pty Ltd; (iv) Neptune Subsea Stabilisation Pty Ltd; (v) Neptune Diving Services Pty Ltd; and (vi) PNG Target Company
“Directors”	:	The directors of the Company as at the date of this Circular
“EBITDA”	:	Means earnings before interest, tax, depreciation and amortisation
“Effective Time”	:	11.59p.m. (Perth time) on the Completion Date
“EGM”	:	The extraordinary general meeting of the Company to be held on 1 October 2019 at 10.00a.m. at Genting Hotel Jurong, Genting Ballroom 3, Level 1, 2 Town Hall Link, Singapore 608516, notice of which is set out on pages N-1 and N-2 of this Circular
“End Date”	:	30 November 2019, or such later date as agreed by the parties in writing
“Escrow Agent”	:	Rajah & Tann Singapore LLP
“Estimated Amount”	:	A\$18,531,000 (being the estimated value of the Fixed Assets Amount and the Working Capital Amount in aggregate)
“Excluded Assets”¹	:	All of the property, rights and assets owned or held by Neptune Indonesia, except for any: (i) tangible assets owned by Neptune Indonesia (including any inventory, material assets, motor vehicles, plant and equipment, operational assets, remotely operated vehicles, trailers and vessels owned by Neptune Indonesia) and the records in respect of such assets; and (ii) certain employees of Neptune Indonesia listed in the SPA
“Exclusivity Period”	:	The period commencing on the date of the SPA and ending on the earlier of: (a) termination of the SPA in accordance with its terms; (b) the Completion Date; and (c) the End Date
“Fixed Assets Amount”	:	The amount which represents the total of the Target Companies’ consolidated property, plant and equipment as at Effective Time, including intangible assets, calculated in accordance with the SPA
“FY2019”	:	The financial year ended 31 March 2019

¹ It is the intention for the Buyer and Neptune Marine to transfer the entire business, assets and employees of Neptune Indonesia as part of the transaction without transferring the Neptune Indonesia itself. However, the parties recognise that certain assets such as leasehold improvements may not be transferrable and the Excluded Assets was excluded from the Proposed Disposal to cater for such assets. The Company does not expect any Excluded Assets to be significant.

DEFINITIONS

“Group”	:	The Company and its subsidiaries
“Guaranteed Obligations”	:	All the obligations assumed by and imposed on Neptune Marine or any other member of the Neptune Group under or in connection with a Transaction Related Document
“Indirect Target Companies”	:	Neptune Marine Pacific Pte Ltd and Neptune Subsea Stabilisation Pte Ltd, together with the SCH Subsidiaries
“Interim Period”	:	The period from (and including) the date of the SPA to (and including) the Completion Date
“Intra-Group Settlement Plan”	:	A plan prepared by EY setting out the steps for settling the intra-group balances of the Neptune Group
“Latest Practicable Date”	:	6 September 2019, being the latest practicable date prior to the dispatch of this Circular
“Leased Properties”	:	Certain leasehold properties listed and set out in the SPA
“Listing Manual”	:	The Listing Manual of the SGX-ST, as the same may be amended, varied or supplemented from time to time
“LPS”	:	Loss per Share
“Maintained Cash Amount”	:	A group cash balance in an approved bank account of no less than A\$5,000,000 to be maintained by Neptune Marine in accordance with the SPA
“Maintenance Period”	:	The period beginning on the Completion Date and ending on the date that is six months after that date
“Material Contract”	:	(a) Any business contract to which any member of the Neptune Group is a party that has generated, or could reasonably be expected to generate, aggregate revenue equal to or greater than A\$2,000,000 in any financial year; and (b) any other business contract that the Buyer and the Neptune Marine agree in writing
“Maximum Consideration”	:	The maximum estimated Consideration of A\$21,237,000 based on the maximum implied values of the Consideration Shares in Section 2.4.3
“Minimum Consideration”	:	The minimum estimated Consideration of A\$18,531,000 based on the minimum implied values of the Consideration Shares in Section 2.4.3
“MTQ Affiliate”	:	A member of the Group or a person who is or was (immediately prior to Completion) a director, officer, employee or agent of a member of the Group
“Neptune EGM”	:	a meeting of Neptune Marine’s shareholders
“Neptune Group”	:	Neptune Marine and its subsidiaries
“Neptune Indonesia”	:	PT Neptune Subsea Stabilisation (Indonesia) (registration number 33.10.2.23.05198)

DEFINITIONS

“Neptune Marine”	:	Neptune Marine Services Limited
“Neptune Restraint Affiliate”	:	Each member of the Neptune Group (excluding Neptune Marine and each of the Target Companies) or a person who is or was (immediately after Completion) a director, officer, employee or agent of a member of the Neptune Group but excluding Mr Peter Wallace and Mr Nicholas Cocks
“Non-Transferring Entities”	:	Neptune Marine and each of its subsidiaries which are not a Target Company, namely: <ul style="list-style-type: none">(i) Neptune Marine Services International Pty Ltd;(ii) Neptune Delaware Holdings Inc.;(iii) Neptune Underwater Services (USA) LLC;(iv) Neptune Fabrication Services Pty Ltd;(v) Neptune Asia Holdings Pte Ltd;(vi) Neptune Subsea Services Sdn Bhd;(vii) Neptune Marine Subsea Services Sdn Bhd;(viii) PT Neptune Subsea Stabilisation (Indonesia);(ix) Neptune Marine Offshore Pte Ltd;(x) Neptune Access IRM Pte Ltd;(xi) Neptune Scotland Holdings Ltd;(xii) Neptune ROV Services Holdings Ltd;(xiii) Neptune Subsea Inc.;(xiv) Neptune ROV Services Ltd;(xv) Submersible Technology Services (Middle East s.p.c.);(xvi) Submersible Technology Services Sdn Bhd; and(xvii) Neptune ROV Services Pte Ltd
“Notice of EGM”	:	The notice of EGM as set out on pages N-1 and N-2 of this Circular
“NTA”	:	Net tangible assets
“PNG Target Company”	:	Neptune Offshore Service (PNG) Ltd
“Previous 12 Months”	:	The period beginning on the date that is 12 months prior to the date of the SPA and ending on the date of the SPA
“Property Leases”	:	Leases or subleases (as the case may be) for the Leased Properties

DEFINITIONS

- “Proposed Disposal”** : Sale from Neptune Marine to the Buyer of all the issued securities of certain wholly-owned subsidiaries of Neptune Marine as set out in Section 2.1, on the terms and subject to the conditions of the SPA
- “Proxy Form”** : The proxy form in respect of the EGM as set out in this Circular
- “Recommendation”** : The recommendation of each director of Neptune Marine to vote in favour of the Proposed Disposal at the Neptune EGM
- “Refundable Deposit Amount”** : Refundable deposit amounting to A\$5,000,000 paid by the Buyer to and held by the Escrow Agent
- “Relevant Leased Properties”** : Certain Leased Properties listed in the SPA
- “Resolutions”** : The proposed ordinary resolutions to approve the Proposed Disposal and the Deed of Guarantee, the full text of which is set out in the Notice of EGM
- “Restrained Business”** : A business, operation or activity similar to, or competitive with, the Business or any part of it
- “Restraint Area”** : Each of the following:
- (i) Australia;
 - (ii) Singapore;
 - (iii) South East Asia;
 - (iv) United Kingdom;
 - (v) Taiwan;
 - (vi) India;
 - (vii) Brazil; and
 - (viii) Papua New Guinea
- “Restraint Period”** : Each of the following periods:
- (i) from Completion until one year after Completion;
 - (ii) one year beginning on the first anniversary of Completion; and
 - (iii) one year beginning on the second anniversary of Completion
- “Restructure”** : Restructuring steps, as set out in the SPA, for the purposes of ensuring that all the property, rights and assets of the entire Neptune Group's business, except only for the Excluded Assets and the shares in the Non-Transferring Entities are held by one of the Target Companies on Completion
- “Sale Shares”** : All the issued securities of the Direct Target Companies and Indirect Target Companies to be acquired by the Buyer

DEFINITIONS

“SCH Subsidiaries”	:	Neptune Offshore Services Ltd and Neptune Subsea Engineering Ltd
“Securities Account”	:	A securities account maintained by a Depositor with CDP (but does not include a securities sub-account)
“SFA”	:	Securities and Futures Act, Chapter 289 of Singapore, as may be amended or modified from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Persons (not being Depositors) who are registered as holders of the Shares in the Register of Members of the Company and Depositors, who have Shares entered against their names in the Depository Register, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
“Shares”	:	Ordinary shares in the issued share capital of the Company
“SPA”	:	A share purchase agreement relating to the Proposed Disposal entered into between Neptune Marine and the Buyer on 23 July 2019
“Substantial Shareholders”	:	In relation to the Company, a person who has an interest in not less than 5% of the issued voting Shares of the Company
“Target Companies”	:	Indirect Target Companies and Direct Target Companies
“Transaction Related Document”	:	The SPA or any document contemplated by or entered into in connection with the SPA (whether on the same date as the SPA or on Completion or otherwise)
“Transferring Intellectual Property”	:	Any intellectual property rights used in the conduct of the Business including (without limitation) the specific intellectual property rights listed in the SPA, and all associated goodwill
“Transferring Tender”	:	Any tender relating to the Business, whether under preparation for submission, submitted, in clarification or pending award in the name of a member of the Neptune Group (other than a Target Company) and any other tender that the Buyer notifies Neptune Marine in writing
“VWAP”	:	The daily volume weighted average price at which the Buyer Shares were traded on ASX in the 30-day period ending on the date that is two Business Days before Completion
“Working Capital Amount”	:	The aggregate of the corresponding items as at the Effective Time as calculated in the Completion Statement prepared in accordance with the SPA

Currencies, Units and Others

“A\$”	:	Australian dollars
“S\$” or “cents”	:	Singapore dollars and cents, respectively
“%” or “per cent.”	:	Per centum or percentage

DEFINITIONS

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA. The term “**Subsidiary**” shall have the same meaning ascribed to it in Section 5 of the Act.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons, where applicable, shall include corporations.

Any reference in this Circular to any statute or enactment or the Listing Manual is a reference to that statute or enactment or the Listing Manual as for the time being amended or re-enacted. Any word defined under the Act, the SFA or the Listing Manual or any statutory modification thereof and used in this Circular shall have the meaning assigned to it under the Act, the SFA or the Listing Manual or any modification thereof, as the case may be, unless otherwise provided.

Any discrepancies in the tables included in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables in this Circular may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date respectively, unless otherwise stated.

Unless otherwise indicated, the exchange rate between A\$ and S\$ is A\$0.949 to S\$1.00. This exchange rate should not be construed as a representation that the A\$ amount could have been, or could be, converted into S\$ at the rate stated, or at all, and *vice versa*.

LETTER TO SHAREHOLDERS

MTQ CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 196900057Z)

Directors:

Kuah Kok Kim (Chairman)
Kuah Boon Wee (Group Chief Executive Officer)
Nicholas Campbell Cocks (Lead Independent Director)
Chew Soo Lin (Independent Director)
Ho Han Siong Christopher (Non-Executive; Non-Independent Director)
Huang Yuan Chiang (Independent Director)
Ong Eng Yaw (Non-Executive; Non-Independent Director)

Registered Office:

182 Pandan Loop
Singapore 128373

13 September 2019

To: The Shareholders of MTQ Corporation Limited

Dear Sir/Madam

1. INTRODUCTION

1.1 Announcement

1.1.1 On 24 July 2019, the Board announced that Neptune Marine Services Limited ("**Neptune Marine**"), a subsidiary of the Company, and a company listed on the ASX, had on 23 July 2019 entered into a share purchase agreement (the "**SPA**") with MMA Offshore Limited ("**Buyer**"), pursuant to which Neptune Marine has agreed to sell, and the Buyer agreed to acquire, all the issued securities of certain wholly-owned subsidiaries of Neptune Marine as set out in Section 2.1 below, on the terms and subject to the conditions of the SPA (the "**Proposed Disposal**"). The Company indirectly holds shares representing 87.1% of the issued share capital in Neptune Marine through its wholly-owned subsidiary, Blossomvale Investments Pte Ltd ("**Blossomvale**"). The remaining 12.9% interest in Neptune Marine is held by public shareholders.

1.1.2 By purchasing the aforesaid issued securities, it is intended that the Buyer will acquire all of (i) the property, rights and assets and (ii) the entire business of the Neptune Marine and its subsidiaries ("**Neptune Group**") (except only for the Excluded Assets and the shares in each of the Non-Transferring Entities, which Neptune Marine will retain following completion of the Proposed Disposal by its continued ownership of the Non-Transferring Entities) (collectively (i) and (ii), the "**Business**").

1.1.3 In conjunction with the SPA, the Company had, on 23 July 2019, entered into a deed of guarantee with the Buyer ("**Deed of Guarantee**") pursuant to which the Company:

- (i) guaranteed the due and punctual observance, satisfaction and performance by Neptune Marine of its obligations under the SPA; and
- (ii) given certain undertakings in respect of the general meeting to be convened by the Company to seek the approval contemplated by the Conditions in 2.5.1(k) below and certain other undertakings in respect of itself (among others),

details of which are set out in Section 3 of this Circular.

LETTER TO SHAREHOLDERS

1.2 Major Transaction

- 1.2.1 The Proposed Disposal constitutes a “Major Transaction” under Chapter 10 of the Listing Manual and is subject to the approval of Shareholders at the EGM. Accordingly, the Proposed Disposal is conditional upon the receipt of approval from the Shareholders and the SGX-ST. For further details on the relative figures in respect of the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual, please refer to Section 4 of this Circular. Separately, pursuant to the terms of the Deed of Guarantee, the Deed of Guarantee shall not become binding unless and until the approval of the Company’s shareholders is obtained.
- 1.2.2 The purpose of this Circular is to provide Shareholders with information relating to the Proposed Disposal and the Deed of Guarantee and to seek Shareholders’ approval in respect of the same at the EGM, notice of which is set out on pages N-1 and N-2 of this Circular.
- 1.2.3 The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

2. THE PROPOSED DISPOSAL

2.1 Details on the Proposed Disposal

2.1.1 Pursuant to the terms and conditions of the SPA, Neptune Marine shall:

- (a) sell to the Buyer all the issued securities of (i) Neptune Asset Integrity Services Pty Ltd; (ii) Neptune Subsea Engineering Pty Ltd; (iii) Neptune Geomatics Pty Ltd; (iv) Neptune Subsea Stabilisation Pty Ltd; (v) Neptune Diving Services Pty Ltd; and (vi) Neptune Offshore Service (PNG) Ltd (“**PNG Target Company**”) (collectively the “**Direct Target Companies**”); and
- (b) procure its subsidiaries:
- (i) Neptune Scotland Holdings Limited, to sell to the Buyer all the issued securities of Neptune Offshore Services Ltd and Neptune Subsea Engineering Ltd (collectively the “**SCH Subsidiaries**”); and
- (ii) Neptune Asia Holdings Pte Ltd, to sell to the Buyer all the issued securities of Neptune Marine Pacific Pte Ltd and Neptune Subsea Stabilisation Pte Ltd (collectively, together with the SCH Subsidiaries, the “**Indirect Target Companies**”, and collectively with the Direct Target Companies, the “**Target Companies**”).

2.1.2 Buyer shall acquire all the issued securities (“**Sale Shares**”) of the Direct Target Companies and Indirect Target Companies, in the following manner:

- (a) the Buyer shall purchase the Sale Shares in the Direct Target Companies other than the PNG Target Company; and
- (b) the Buyer shall procure that MMA Offshore Asia Pte Ltd, a wholly owned subsidiary of the Buyer that is incorporated in Singapore or such other entity as notified by the Buyer prior to completion purchases the Sale Shares in the Indirect Target Companies and the PNG Target Company.

2.1.3 In conjunction with the SPA, the Buyer, Neptune Marine and Rajah & Tann Singapore LLP (“**Escrow Agent**”) had on 28 June 2019 entered into an escrow agreement, pursuant to which a refundable deposit amounting to A\$5,000,000 (“**Refundable Deposit Amount**”) was paid by the Buyer to and held by the Escrow Agent.

LETTER TO SHAREHOLDERS

2.2 Information on Neptune Marine

Neptune Group is a leading provider of topside and subsea inspection, maintenance and repair solutions to the oil and gas, marine and renewable energy industries. Neptune Marine services predominantly Tier 1 oil and gas, and marine infrastructure clients through its operational centres in Australia, South East Asia and the United Kingdom. Key services provided by the Neptune Group include asset integrity and inspection; commercial diving; survey and positioning; shallow water remotely operated vehicles; subsea, pipeline and topside engineering; subsea protection and stabilisation, NEPSYS™ dry underwater welding; and manufacturing, assembly and testing services.

In connection with the Proposed Disposal, Neptune Marine will dispose the entire issued shares of Target Companies such that the Business will be transferred to the Buyer. Details on the Target Companies are set out in the table below:

Direct Target Company / Indirect Target Company	Place and date of incorporation	Principal activity
<i>A. Direct Target Companies</i>		
Neptune Asset Integrity Services Pty Ltd	Australia / 28 May 1999	Providing a range of specialist access solutions for the provision of inspection, repair and maintenance services
Neptune Subsea Engineering Pty Ltd	Australia / 6 February 2007	Providing a range of specialist subsea engineering services to the oil and gas sector
Neptune Geomatics Pty Ltd	Australia / 10 March 2004	Providing a range of hydrographic survey, geophysical and positioning services internationally to the oil and gas sector
Neptune Subsea Stabilisation Pty Ltd	Australia / 16 November 2007	Design, manufacture, supply and install a range of pipeline stabilisation and protection systems
Neptune Diving Services Pty Ltd	Australia / 18 April 1984	Providing commercial diving and inspection, repair and maintenance services to the oil and gas, shipping, defence and marine infrastructure industries
Neptune Offshore Service (PNG) Ltd	Papua New Guinea / 1 February 2016	Diving
<i>B. Indirect Target Companies</i>		
Neptune Offshore Services Ltd	United Kingdom / 12 May 1994	Providing a range of manufacturing solutions encompassing the design, manufacture, machining, assembly and testing of a wide range of equipment
Neptune Subsea Engineering Ltd	United Kingdom / 7 August 2002	Providing a range of specialist subsea engineering services internationally to the oil and gas sector

LETTER TO SHAREHOLDERS

Direct Target Company / Indirect Target Company	Place and date of incorporation	Principal activity
Neptune Marine Pacific Pte Ltd	Singapore / 26 May 2005	Specialise in the provision of remotely operated vehicles (ROVs) services and tooling solutions for both shallow and deep water applications
Neptune Subsea Stabilisation Pte Ltd	Singapore / 26 May 2005	Design, manufacture, supply and install a range of pipeline stabilisation and protection systems

Based on the Group's audited financial statements for the financial year ended 31 March 2019 (adjusted retrospectively for and as a result of adoption of the new *SFRS(I) 16 Leases* that is effective from 1 April 2019) ("FY2019") and the unaudited financial statements for the three months financial period ended 30 June 2019 ("1QFY2020"):

- (i) the carrying amount (being the net asset value) and net tangible asset value of Business as at 31 March 2019 were S\$13,512,000 and S\$13,460,000 respectively;
- (ii) the carrying amount (being the net asset value) and net tangible asset value of Business as at 30 June 2019 were S\$16,465,000 and S\$16,423,000 respectively; and
- (iii) the net loss (before income tax, minority interests and extraordinary items) attributable to the Business for FY2019 and 1QFY2020 were S\$2,702,000 and S\$10,000 respectively.

Note: The figures set out in paragraphs (i), (ii) and (iii) assumes that all intra-group balances of the Business have been settled in accordance with the Intra-Group Settlement Plan.

2.3 Information on the Buyer

The Buyer is a company incorporated in Australia in 1989 and is listed on the Australian Securities Exchange ("ASX") since 1999. The Buyer specialises in providing marine solutions and expertise to the offshore oil and gas industry.

Based on the publicly available information, the key financial information for the past 3 financial years ended 30 June of the Buyer is as follows:

	FY2017 A\$ (million)	FY2018 A\$ (million)	FY2019 A\$ (million)
Revenue	221.8	200.4	239.3
EBITDA	18.0	18.5	27.8
Loss before tax	(356.1)	(27.4)	(35.9)
Loss after tax	(378.0)	(27.9)	(37.4)
Net assets	256.5	328.3	303.2
Net tangible assets	256.5	328.3	303.2
Net current assets	82.0	97.1	89.2
NTA per share (in A\$)	0.69	0.38	0.35

For more details, an extract of the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, and the Consolidated Statement of Cash Flows of the Buyer for the past 3 financial years ended 30 June has been reproduced in Appendix A.

LETTER TO SHAREHOLDERS

Share price movements and volume information of the Buyer Shares for the periods prior to Latest Practicable Date are as follows:

Period	Closing Price Range in A\$		Volume
	High	Low	
1-month	0.205	0.175	6,220,875
3-months	0.230	0.165	31,134,368
6-months	0.230	0.150	62,043,325
9-months	0.230	0.145	114,417,284
12-months	0.250	0.145	223,196,831

Source: <https://www.asx.com.au>

2.4 Consideration for the Proposed Disposal

2.4.1 *Consideration*

Subject to adjustments in accordance with the terms and conditions of the SPA, the consideration for the sale and purchase of the Sale Shares ("**Consideration**") comprises:

- (a) cash of A\$5,000,000 ("**Cash Consideration**"); and
- (b) fully paid Buyer Shares to be calculated in accordance with the SPA ("**Consideration Shares**"). Under the terms of the SPA, the Consideration Shares will have a minimum implied value of A\$13,531,000 and a maximum implied value of A\$16,237,000, depending on the VWAP for the Buyer Shares. For details on the computation of the Consideration Shares please refer to Section 2.4.3 below.

The Consideration is subject to certain computations and adjustments (details of which are set out in Sections 2.4.3 and 2.4.4 below). Accordingly, the actual Consideration will not be finalised until after completion of the Proposed Disposal.

Having reference to the unaudited accounts of the Target Companies (adjusted for the Restructure) for the financial period ended 30 June 2019, and based on a minimum and maximum implied values of the Consideration Shares of A\$13,531,000 and A\$16,237,000, respectively, the minimum value of the Consideration will be approximately A\$18,531,000 ("**Minimum Consideration**") and the maximum value of the Consideration will be approximately A\$21,237,000 ("**Maximum Consideration**").

The Minimum Consideration of S\$17,586,000 (A\$18,531,000) and the Maximum Consideration of S\$20,154,000 (A\$21,237,000) represents an excess of approximately S\$1,121,000 and S\$3,689,000, respectively, to the carrying amount of the Business as at 30 June 2019. Based on the carrying amount of the Business and the accumulated foreign exchange losses of S\$2,413,000 residing in the Group's currency translation reserve as at 30 June 2019, the Group is expected to record a loss on the Proposed Disposal of approximately S\$1,292,000 (based on the Minimum Consideration) and a gain on the Proposed Disposal of approximately S\$1,276,000 (based on the Maximum Consideration).

The Consideration was arrived at after arm's length negotiation and on a willing-buyer willing-seller basis and having taken into consideration the NTA of the Business, the NTA of the Buyer, and the business prospects of the Neptune Group and the Buyer Group.

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2.4.2 *Payment and Satisfaction of Consideration*

The Consideration will be satisfied by:

- (a) the provision by the Buyer of a counterpart of a release notice duly executed by it in respect of the release of the Refundable Deposit Amount to Neptune Marine and the release of all accrued interest (less any bank charges or fees) to the Buyer;
- (b) the issue by the Buyer to Neptune Marine of the Consideration Shares on Completion, computed in accordance with Section 2.4.3 below; and
- (c) the payment of the amount payable by the Buyer to Neptune Marine, or by Neptune Marine to the Buyer, as applicable, computed in accordance with Section 2.4.4 below.

2.4.3 *Computation of Consideration Shares*

The number of Consideration Shares to be issued by the Buyer to Neptune Marine is to be calculated as follows:

- (a) If the VWAP per Buyer Share is less than or equal to A\$0.25 per Buyer Share, the number of Buyer Shares calculated by applying the formula below (and rounded down to the nearest whole number of Buyer Shares, where applicable):

$$13,531,000 / \text{Issue Price} = \text{Number of Buyer Shares}$$

and where, for the purposes of the above formula,

“**Issue Price**” means the higher of:

- (i) A\$0.20; and
 - (ii) the VWAP per Buyer Share.
- (b) If the VWAP is greater than A\$0.25 per Buyer Share, but less than A\$0.30 per Buyer Share, the number of Buyer Shares will be fixed at **54,124,000**.
 - (c) If the VWAP is A\$0.30 per Buyer Share or greater, the number of Buyer Shares calculated by applying the formula below (and rounded down to the nearest whole number of Buyer Shares, where applicable):

$$16,237,000 / \text{VWAP} = \text{Number of Buyer Shares}$$

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The table below sets out (by way of example only) the number of Buyer Shares that would comprise the Consideration Shares, as determined in accordance with this Section 2.4.3, and the corresponding implied value of those Consideration Shares, assuming different and notional VWAPs:

VWAP	A\$0.16	A\$0.20	A\$0.25	A\$0.275	A\$0.30	A\$0.35
Notional Issue Price	A\$0.20	A\$0.20	A\$0.25	A\$0.275	A\$0.30	A\$0.35
Notional Buyer Shares issued as Consideration Shares ('000)	67,655	67,655	54,124	54,124	54,124	46,391
Consideration Shares as a % of Buyer's enlarged issued share capital immediately after Completion⁽¹⁾	7.3%	7.3%	5.9%	5.9%	5.9%	5.1%
Implied value of Buyer Shares (based on notional Issue Price) (A\$'000)	13,531	13,531	13,531	14,884	16,237	16,237

Note:

- (1) Based on the aggregate of the Buyer's 858,077,000 issued share capital as at 30 June 2019 obtained from the Buyer's latest preliminary financial report for the financial year ended 30 June 2019 and the notional Buyer Shares issued as Consideration Shares.

Based on the volume weighted average price of the Buyer Shares in the 30-day period ending on the Latest Practicable Date, the notional Issue Price would be A\$0.20, giving a notional value of A\$13,531,000.

Subject to the restrictions set out in Section 2.6.7 below and other applicable laws and regulations, the Consideration Shares will, upon issue and allotment, be listed and tradeable on ASX.

2.4.4 Fixed Assets and Working Capital Adjustments

- (a) If on the date ("**Adjustment Date**") falling 14 days after the later of:
- (i) the date on which the total of the Target Companies' consolidated property, plant and equipment as at Effective Time, including intangible assets, calculated in accordance with the SPA ("**Fixed Assets Amount**") is finally agreed or determined in accordance with the terms of the SPA; and
 - (ii) the date on which the aggregate of the corresponding items as at the Effective Time, as calculated in the Completion Statement prepared in accordance with the SPA ("**Working Capital Amount**") is finally agreed or determined in accordance with the terms of the SPA,

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or such earlier date as the Buyer and Seller may agree in writing, each acting reasonably, the aggregate of the Fixed Assets Amount and the Working Capital Amount is:

- (1) greater than A\$18,531,000 (being the estimated value of the Fixed Assets Amount and the Working Capital Amount in aggregate) ("**Estimated Amount**"), then the Buyer must pay to Neptune Marine an amount equal to the difference between the aggregate of the Fixed Assets Amount *plus* the Working Capital Amount, and the Estimated Amount; or
- (2) less than the Estimated Amount, then Neptune Marine must pay to the Buyer in cash an amount equal to the difference between the Estimated Amount, and the aggregate of the Fixed Assets Amount *plus* the Working Capital Amount.

As at 30 June 2019, the Fixed Assets Amount and the Working Capital Amount were A\$14,548,000 and A\$3,983,000 respectively.

- (b) Any payment made under Section 2.4.4 is an adjustment to the Consideration, such that:
 - (i) if an amount is payable by the Buyer to Neptune Marine, the Consideration will be increased by the amount payable; and
 - (ii) if an amount is payable by Neptune Marine to the Buyer, the Consideration will be reduced by the amount payable.

2.5 Conditions Precedent

2.5.1 The obligations of the parties with respect to Completion of the sale and purchase of the Sale Shares are subject to the satisfaction or waiver (where permitted by and otherwise in accordance with the SPA) of the following conditions (the "**Conditions**"):

- (a) Shareholders of Neptune Marine passing a resolution:
 - (i) approving the Proposed Disposal (i) for the purposes of Listing Rule 11.2 of the official listing rules of ASX and for all other purposes; and
 - (ii) approving (subject to Completion) the change of Neptune Marine's name to a name that does not include the word "Neptune" or anything that looks or sounds like it or is capable of being confused with "Neptune".
- (b) No material adverse change in respect of Neptune Marine having occurred between the date of the SPA and 8.00a.m. (Perth time) on the Completion Date.
- (c) Any consent or approval (however described) required under or in connection with the Buyer's existing syndicated facility agreement has been obtained on an unconditional basis.
- (d) The consent of or waiver being obtained from any person who is a counterparty to a Material Contract that contains a provision, such as a change of control provision, which would be triggered by the transfer of the Sale Shares, on terms and conditions acceptable to the Buyer (acting reasonably).
- (e) The consent of or waiver being obtained from any person who is a counterparty to certain leases or subleases (as the case may be) for the Leased Properties ("**Property Leases**") that contains a provision, such as a change of control provision, which would be triggered by the transfer of the Sale Shares, on terms and conditions acceptable to the Buyer (acting reasonably).
- (f) Certain licences and authorisations as set out in the SPA being obtained, on terms and conditions that are acceptable to the Buyer (acting reasonably).

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- (g) The Restructure having been undertaken and completed in accordance with the SPA and to the satisfaction of the Buyer (acting reasonably).
- (h) Each director of Neptune Marine having given (in the announcement to be made by the Buyer and Neptune Marine on the ASX upon the execution of the SPA, the notice of meeting to convene a meeting of Neptune Marine's shareholders ("**Neptune EGM**") to, *inter alia*, consider (and if thought fit, approve) the Proposed Disposal, and any other public announcement made by Neptune Marine that relates or refers to the Proposed Disposal) his or her recommendation vote in favour of the Proposed Disposal at the Neptune EGM ("**Recommendation**").
- (i) The Buyer (and its agents and consultants (including any environmental consultants)) carrying out environmental assessments (including carrying out site investigations and including the testing of soil and groundwater), and obtaining an environmental assessment report, for certain Leased Properties listed in the SPA ("**Relevant Leased Properties**") and being satisfied (acting reasonably) that there is not any contamination, pollution or environmental harm on, under or emanating from a Relevant Leased Property, and no evidence of pollution or environmental harm having occurred on or in relation to a Relevant Leased Property.
- (j) No key employee (as listed in the SPA) having given a notice of resignation, or been issued with any notice of termination, in respect of their employment with a member of the Neptune Group between the date of the SPA and 8.00a.m. (Perth time) on the Completion Date where the departure of such key employee(s) would in the Buyer's opinion (acting reasonably) have a material adverse effect on, or result in a material disruption to the Business (save in circumstances where the resignation or termination occurs for the purposes of the Restructure or where the termination is for cause).
- (k) The Company's shareholders having approved the Proposed Disposal in a general meeting and the approval of the SGX-ST pursuant to Chapter 10 of the SGX-ST Listing Manual having been obtained and the Deed of Guarantee becoming effective.
- (l) No matter, event, circumstance or any breach of Buyer's warranty having occurred, is announced or becomes known to Neptune Marine between the date of the SPA and 8.00a.m. (Perth time) on the Completion Date where that matter, event, circumstance or breach of Buyer's warranty has, has had or is reasonably likely to have, either individually or when aggregated with any other such matters, events or circumstances a material adverse effect on the assets, liabilities, business, financial or trading position, performance or profitability of the Buyer Group (taken as a whole).

2.5.2 If the Conditions are not satisfied or waived on or before 30 November 2019, or such later date as agreed by the parties in writing ("**End Date**"), then Neptune Marine or the Buyer may at any time after that date and before satisfaction or waiver of those Conditions, terminate the SPA by giving written notice to the other. Further, if any Condition is breached or becomes incapable of satisfaction prior to the End Date, then the party for whose benefit the Condition has been included may terminate the SPA by giving written notice to the other.

2.5.3 As of the Latest Practicable Date, none of the Conditions set out in Sections 2.5.1 above are satisfied.

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2.6 Other Material Terms

2.6.1 *Conduct of Business*

Subject to certain exclusions under the SPA, Neptune Marine must, during the period from (and including) the date of the SPA to (and including) the Completion Date ("**Interim Period**"), ensure that the Neptune Group (whether through a Target Company or any other member of the Neptune Group):

- (a) carries on the Business in the ordinary and usual course and in a manner consistent with the manner in which the Business was carried out during the period beginning on the date that is 12 months prior to the date of the SPA and ending on the date of the SPA ("**Previous 12 Months**");
- (b) carries on the Business in accordance with normal and prudent practice (having regard to the nature of the Business);
- (c) pursues and collects the trade debts in a manner that is consistent with the Previous 12 Months;
- (d) as soon as practicable after receipt and in accordance with the law, provides the Buyer with copies of any material correspondence, notices or other documents received from a government agency in relation to any of the Business, or from a counterparty to a Material Contract or Property Lease or from a potential counterparty in respect of a Transferring Tender and which if entered into would be deemed a Material Contract under the SPA;
- (e) immediately notifies the Buyer if it becomes aware of any matter, event, circumstance which does, or could be expected to, constitute a material adverse change of Neptune Marine or breach any warranty provided by Neptune Marine under the SPA;
- (f) promptly consults with the Buyer on all material matters affecting, or developments in respect of, the Business and reasonably considers the Buyer's view about such matters or developments (as applicable);
- (g) the Business maintains the inventory at normal levels consistent with the inventory levels over the Previous 12 Months;
- (h) procures that repairs and maintenance are carried to the Assets and the Leased Properties listed in the SPA in a manner that is consistent with good industry practice;
- (i) as soon as practicable and in any event within 14 Business Days after the relevant month end, provides the Buyer with the latest set of management accounts for each month up to Completion;
- (j) preserves and maintains all records, including records in connection with any disputed matters;
- (k) complies in all material respects with all applicable laws and codes, and complies in all respects with all business authorisations; and
- (l) maintain its relationships with suppliers, customers, employees, government agencies and other third parties that are material to the Business.

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2.6.2 *Material Contracts*

Subject to, and without in any way limiting, the provisions set out in Section 2.6.3, Neptune Marine must, during the Interim Period, ensure that the Neptune Group uses its best endeavours to renew or extend Material Contract that will expire (and which is capable of renewal) during or before the end of the Interim Period on the same terms as, or more favourable terms (from the perspective of the Neptune Group) than, the relevant existing Material Contract.

2.6.3 *Certain actions require consent of the Buyer*

Without limiting the provisions set out in Section 2.6.1, but subject to certain exclusions under the SPA, during the Interim Period Neptune Marine must ensure and procure that none of the following events occur:

- (a) **(new contracts)** any Target Company enters into any new contract or commitment that:
 - (i) could reasonably be expected to generate revenue equal to or greater than A\$2,000,000 in any financial year;
 - (ii) contemplates capex expenditure in excess of A\$250,000 in any 12-month period other than where the relevant contract is reasonably expected to generate aggregate revenue which is equal to or greater than the aggregate contemplated expenditure; or
 - (iii) has a term of more than 24 months;
- (b) **(existing business contracts)** any member of the Neptune Group (i) terminates or (ii) where such action or inaction is adverse to the Neptune Group in a material respects, renews, amends, fails to enforce or agrees to any amendment to services provided under, any:
 - (a) Material Contract or Property Lease (including the exercise of any option in relation to such contract or commitment); or
 - (b) business contract that has a term of more than 12 months left to run as at the date of the SPA;
- (c) **(transferring tender contracts)** any member of the Neptune Group (whether a Target Company or otherwise) enters into, or agrees to enter into, any contract in relation to any Transferring Tender, which if entered into would be deemed a Material Contract under the SPA;
- (d) **(new tenders)** any member of the Neptune Group (whether a Target Company or otherwise) submits any tender the underlying contract of which would (for the purposes of the SPA), assuming that the tender is successful and based on its commercial terms constitute a Material Contract;
- (e) **(restrictive covenant)** any member of Neptune Group enters into or amends any contract where that would have the effect of imposing or amending a restrictive covenant that affects the Business (that is, any provision of a contract that has the effect of restricting the future Business activities);
- (f) **(expenditure or liabilities)** the Target Companies pay or incur, or agree to pay or incur, any expenditure or liabilities of more than A\$50,000 that is not specifically contemplated by the budget and expenditure plan in relation to the Neptune Group for the financial year ending 31 March 2020;
- (g) **(acquisitions)** any Target Company acquires or agrees to acquire any new material asset or business;

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- (h) **(disposals)** any member of the Neptune Group disposes of any material asset other than as part of the Restructure;
- (i) **(encumbrances)** any member of the Neptune Group encumbers any material asset other than pursuant to any security interest permitted under the SPA;
- (j) **(authorisations)** any member of the Neptune Group varies, surrenders, fails to renew or allows to lapse any authorisation that relates to, or is required for the conduct of the Business;
- (k) **(disputes)** any Target Company commences, settles, compromises or refers to mediation or arbitration, any material dispute, claim, litigation or other contentious proceeding of any kind (except in respect of the recovery of unpaid trade debts in accordance with Section 2.6.1(c));
- (l) **(guarantee, indemnity)** any Target Company entering into any guarantee, indemnity or other agreement to secure an obligation of a third party (including, to avoid doubt, another Target Company or any other member of the Neptune Group) unless it is fully released (without liability to any Target Company) before the end of the Interim Period;
- (m) **(debt finance)** any Target Company borrowing or lending money or obtaining or providing financial accommodation or debt finance of any kind or waiving or forgiving any debt or amount owing to the Target Company (whether from other Target Companies, other members of the Neptune Group or third parties) other than in respect of the recovery of trade debts in accordance with Section 2.6.1(c);
- (n) **(existing business employees)** any member of the Neptune Group terminates the employment of any business employee other than for cause, or alters the employment terms or benefits (for example, remuneration, accrued entitlements, pension entitlements, superannuation benefits or other benefits) of any business employee;
- (o) **(new employees)** any Target Company appoints any new director, consultant or contractor, or hires any person as a new employee, whose total remuneration package exceeds A\$120,000 per annum;
- (p) **(non-arm's length transactions)** any Target Company enters into any transaction or arrangement other than on arm's length terms;
- (q) **(related party transactions)** any Target Company makes any payment or incurs any liability to any related party of the relevant Target Company for the purposes of Section 228 of the Corporations Act 2001 of the Commonwealth of Australia;
- (r) **(intercompany loans)** there is any material increase in the amount of any intra-group indebtedness owed by a Target Company as at the date of the SPA to a Non-Transferring Entity, or any Target Company enters into any new intercompany loan or similar arrangement with a Non-Transferring Entity;
- (s) **(joint venture, partnership)** any Target Company enters into any joint venture, partnership or agency arrangement;
- (t) **(tax)** any Target Company makes, changes or revokes any tax election or changes any method of reporting with respect to tax, other than any action that would not, individually or in the aggregate with any other actions, result in a material increase in the tax that would be payable by a Target Company (individually) or the Target Companies (collectively) relative to the tax that would be payable had the relevant action (or actions) not occurred;
- (u) **(vessel charter)** any Target Company charters (whether on a time or demise basis) any vessel used in the Business or any member of the Neptune Group exercises an option to extend any existing charter of a vessel used in the Business;

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- (v) **(accounting practices)** any Target Company makes any change to its accounting practices or policies unless required to do so as a result of adoption of any new accounting standards;
- (w) **(trade debts and trade creditors)** any member of the Neptune Group adopts policies or practices in respect of the invoicing or collection of trade debts, or the payment of trade creditors, that are inconsistent with good industry practice;
- (x) **(intellectual property)** any member of the Neptune Group cancels or allows to lapse any Transferring Intellectual Property; or
- (y) any member of the Neptune Group authorises, procures, commits or agrees to do any of the matters set out above.

2.6.4 *Preservation of assets*

Until Completion, Neptune Marine must ensure that the Neptune Group protects and maintains each of the Assets and maintains appropriate and adequate insurance in respect of each of insurable Assets and applies all applicable insurance proceeds to replace or reinstate any lost, destroyed or damaged Assets.

2.6.5 *Preservation of capital structure*

Until Completion, Neptune Marine must ensure that each Target Company, unless pursuant to the SPA, expressly provided for in the Intra-Group Settlement Plan or if the Buyer first consents in writing, does not:

- (a) alter its capital structure in any way;
- (b) allot or issue or agree to allot or issue any security, such as an option, a share, loan capital or any security convertible into a share or loan capital of any Target Group Company;
- (c) declare or pay any dividend or make any distribution of its assets, capital or profits (whether in cash or in specie);
- (d) reduce share capital in any way or buy back or agree to buy back any share;
- (e) give any financial assistance for an acquisition of its own shares or shares in its holding company; or
- (f) alter or agree to alter its constitution, memorandum or articles of association or other constitutive document or pass any other members' resolution.

2.6.6 *Excluded liabilities indemnity*

Neptune Marine unconditionally and irrevocably agrees to indemnify and keep indemnified and hold harmless each member of the Buyer Group against, and to pay an amount equal to, any loss which any member of the Buyer Group may incur at any time or from time to time (whether by way of a claim for damages, indemnity, settlement, judgment, arbitration award, costs or otherwise), to the extent that such loss:

- (a) **(business contract)** is directly or indirectly caused by any claim in relation to, or any material breach by any member of the Neptune Group of its obligations under, a business contract occurring or otherwise arising out of the period up to the Effective Time, irrespective of when the claim is made or when the debt or liability arises;

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- (b) (**warranty claims**) is directly or indirectly caused by any claim in relation to a warranty or defect liability period in connection with any business contract and any resulting works performed or services provided under any business contract, where the applicable fact, matter or circumstance giving rise to the claim occurs, relates to or otherwise arises out of the period up to the Effective Time;
- (c) (**restructure**) is directly or indirectly caused by any claim for:
- (i) any tax or duty incurred as a result of any member of the Neptune Group taking, or failing to take, any action or step contemplated by the Restructure without the Buyer's prior approval (other than in circumstances where the action or step is expressly provided for in and required to be undertaken by the Intra-Group Settlement Plan); or
 - (ii) any tax or duty incurred as a result of any member of the Neptune Group deviating from or failing to complete the settlement of the intra-group balances in accordance with the Intra-Group Settlement Plan unless such deviation or failure occurred with the prior consent of the Buyer;
- (d) (**business personnel**) is directly or indirectly caused by any claim against a Target Company in relation to the entitlements or benefits or other rights:
- (i) to which any business employee or any other personnel engaged by the Neptune Group may have been or is entitled to (whether under any contract of employment, industrial instrument, enterprise bargaining agreement or law), including (without limitation) any claim or amounts in relation to any salary reduction relating to or arising out of any period before the Effective Time but made either before or after the Effective Time; and
 - (ii) in each case, if it was not specifically contemplated in the accrued business employee entitlements included in the Completion Statement,
- but excluding in all cases where any such claim arises out of or in connection with the termination or redundancy by the Buyer (or the Buyer's nominee as the case may be) of any key employee within six months after the Completion Date; or
- (e) (**UK tax enquiry**) directly or indirectly results from or relates to a specific investigation.

2.6.7 *Post-completion restrictions*

- (a) Neptune Marine must not dispose of any Consideration Shares until at least 12 months after the date of their issue, and Neptune Marine warrants for all purposes that it will not do so, except where, subject to certain conditions set out in the SPA relating to the compliance of applicable Australian law, that disposal occurs by way of an in-specie distribution of the Consideration Shares to Neptune Marine's shareholders.
- (b) At all times during the period beginning on the Completion Date and ending on the date that is six months after that date ("**Maintenance Period**"), Neptune Marine must ensure that it maintains a group cash balance in an approved bank account of no less than A\$5,000,000 ("**Maintained Cash Amount**") and for the duration of the Maintenance Period, Neptune Marine undertakes not to apply, encumber, deal with, distribute (to shareholders of Neptune Marine, creditors of the Neptune Group, or otherwise) or otherwise spend or allocate that Maintained Cash Amount (or agree to do any such thing), so that it remains exclusively available for Neptune Marine to apply in satisfying any claim made by the Buyer under or in connection with the SPA ("**Cash Maintenance Obligation**").

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2.6.8 *Non-competition*

Neptune Marine must not, and must procure that each member of the Neptune Group (excluding Neptune Marine and each of the Target Companies) or a person who is or was (immediately after Completion) a director, officer, employee or agent of a member of the Neptune Group but excluding Mr Peter Wallace and Mr Nicholas Cocks (collectively, with the Neptune Group members, the “**Neptune Restraint Affiliate**”) does not, during any Restraint Period (as defined below) within any Restraint Area (as defined below):

- (a) conduct, carry on or promote (whether on its own account, in partnership, in joint venture or as agent of or manager for any other person) a Restrained Business (as defined below);
- (b) be concerned or interested in any Restrained Business (directly or through any interposed body corporate, trust or partnership) as trustee, principal, agent, shareholder, unitholder, contractor, consultant, adviser or in any other capacity; or
- (c) provide to any person any direct or indirect financial or other assistance which assists that person to engage in any Restrained Business.

For the purposes of this Circular:

- (1) “**Restrained Business**” means a business, operation or activity similar to, or competitive with, the Business or any part of it.
- (2) “**Restraint Area**” means each of the following:
 - (i) Australia;
 - (ii) Singapore;
 - (iii) South East Asia;
 - (iv) United Kingdom;
 - (v) Taiwan;
 - (vi) India;
 - (vii) Brazil; and
 - (viii) Papua New Guinea.
- (3) “**Restraint Period**” means each of the following periods:
 - (i) from Completion until one year after Completion;
 - (ii) one year beginning on the first anniversary of Completion; and
 - (iii) one year beginning on the second anniversary of Completion.

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2.6.9 *Non-interference – further undertakings to protect goodwill*

Neptune Marine must not, and must procure that each Neptune Restraint Affiliate does not, during any Restraint Period:

- (a) secure or seek to attract the custom of, or entice away, any person who is at Completion, or was within the 12 months before Completion, a customer of a Target Company or a customer of the Business;
- (b) represent itself as being in any way connected with or interested in or associated with:
 - (i) a Target Company (except (if applicable) as the prior owner of the Sale Shares); or
 - (ii) any business carried on by the Buyer or by a Target Company;
- (c) do or say anything harmful to the reputation of a Target Company or which may lead a person to cease, curtail or alter the terms of its dealings with a Target Company;
- (d) interfere with the relationship between the Business and its customers, licensors, employees or suppliers;
- (e) use a name that is similar to the name of a Target Company as at Completion;
- (f) use any of the Transferring Intellectual Property or other intellectual property rights connected with the Business or owned by a Target Company, including but not limited to the use of the name “*Neptune*” and the website “*www.neptunems.com*” and “*www.neptunems.com.au*” without the prior written consent of the Buyer;
- (g) disclose or use to the disadvantage or detriment of the Business, the Buyer or any Target Company:
 - (i) the name of any customer of a Target Company;
 - (ii) any of the intellectual property rights of the Business or a Target Company; or
 - (iii) any of the trade secrets, secret or confidential operations, processes or dealings of, or any confidential information relating to, the Business, a Target Company or its organisation, finances, transactions or affairs; or
- (h) institute, maintain or support any claim for infringement of any intellectual property rights connected with the Business or any related moral rights.

2.6.10 *No solicitation of employees*

- (i) During the Restraint Period, Neptune Marine must not, and must procure that each Neptune Restraint Affiliate does not, for any reason (whether on its own behalf or on the behalf of any other person) solicit or attempt to solicit for employment any person who is an employee of a Target Company immediately following Completion.
- (ii) The provision set out in Section 2.6.10(i) does not restrict Neptune Marine, or any Neptune Restraint Affiliate from soliciting or engaging the services of a person who was an employee of a Target Company immediately following Completion, by general employment advertising (not being an advertisement targeted specifically at the person concerned or employees of a Target Company or the Buyer Group generally).

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2.7 Completion

2.7.1 Completion must take place:

- (a) at 11.00a.m. (Perth time) at the offices of Ashurst in Perth (or such other time or place as the parties agree in writing); and
- (b) on the day which is the later of:
 - (i) seven business days after the day on which each of the Conditions (other than the Conditions in Sections 2.5.1(b), 2.5.1(j) and 2.5.1(l)) has been satisfied (or waived as permitted by and otherwise in accordance with the SPA); and
 - (ii) eleven business days after the date of the General Meeting (assuming, to avoid doubt, each of the Conditions (other than the Conditions in Sections 2.5.1(b), 2.5.1(j) and 2.5.1(l)) has been satisfied (or waived as permitted by and otherwise in accordance with the SPA)),

or such other date as the parties agree in writing (“**Completion Date**”), provided that, as at 8.00a.m. (Perth time) on the Completion Date, the Condition in Sections 2.5.1(b), 2.5.1(j) and 2.5.1(l) have not been breached or become incapable of satisfaction and, if that is the case, those Conditions will also be deemed to have been satisfied on that date.

2.7.2 On Completion Date:

- (a) the Buyer shall, *inter alia*:
 - (i) provide a counterpart of the Release Notice duly executed by it in respect of the release of the Refundable Deposit Amount to Neptune Marine and the release of all accrued interest (less any bank charges or fees) to the Buyer; and
 - (ii) issue the Consideration Shares to Neptune Marine; and
- (b) Neptune Marine shall, *inter alia*:
 - (i) give to the Buyer or procure that the Buyer is given:
 - (1) absolute ownership of all of the Sale Shares and title to all the Sale Shares free from any Encumbrance; and
 - (2) operational control of the Target Companies and the Business free from any Encumbrance other than any permitted security interest; and
 - (ii) give to the Buyer or procure that the Buyer is given, duly signed transfer forms in relation to the Sale Shares.

3. **DEED OF GUARANTEE**

3.1 Conditional Deed of Guarantee

In conjunction with the SPA, the Company had, on 23 July 2019, entered into the Deed of Guarantee. Pursuant to the terms of the Deed of Guarantee, the Deed of Guarantee shall not become binding unless and until the approval of the Company’s shareholders is obtained. It is a Condition of the SPA that Completion is subject to, *inter alia*, the Deed of Guarantee becoming effective.

LETTER TO SHAREHOLDERS

3.2 Material terms of the Deed of Guarantee

3.2.1 *Guarantee and indemnity*

The Company irrevocable and unconditionally:

- (a) guarantees to the Buyer and each other member of the Buyer Group, the due and punctual observance, satisfaction and performance by Neptune Marine and any other member of the Neptune Group of all of the Guaranteed Obligations, including the due and punctual payment of all amounts (including damages) that are payable, owing but not payable, or that otherwise remain unpaid by Neptune Marine or any other member of the Neptune Group pursuant to the Guaranteed Obligations; and
- (b) undertakes to the Buyer and each other member of the Buyer Group that whenever Neptune Marine or any other member of the Neptune Group does not observe and perform any Guaranteed Obligations (including to pay any amount when due) under or in connection with the Transaction Related Document, the Guarantor must perform that obligation or pay that amount:
 - (i) as if it was the principal obligor; and
 - (ii) on the basis that the obligation is enforceable, valid and not illegal.
- (c) Pursuant to the terms of the SPA and the Deed of Guarantee, the maximum aggregate liability of Neptune Marine and the Company for all claims made or brought by the Buyer under or in connection with the SPA and/or the transactions contemplated by it is limited to the amount of the Consideration.

3.2.2 *Exclusivity*

During the Exclusivity Period, the Company must not and must ensure that any MTQ Affiliate or any other person on its behalf does not, directly or indirectly:

- (i) solicit, encourage, initiate or invite any offers, enquiries, expressions of interest, discussions or proposals in relation to, or that may reasonably be expected to encourage or lead to, a competing proposal, or announce or communicate to any person any intention to do any of these things;
- (ii) participate in any discussions or negotiations in relation to, or that may reasonably be expected to encourage or lead to, a competing proposal, or otherwise facilitate a competing proposal, or announce or communicate to any person any intention to do any of these things; or
- (iii) make available to any third party, or cause or permit any third party to receive, any non-public information relating to any member of the Neptune Group that may reasonably be expected to assist such third party in formulating, developing or finalising a competing proposal.

LETTER TO SHAREHOLDERS

3.2.3 *Non-interference – undertakings to protect goodwill*

The Company must not, and must procure that each MTQ Affiliate does not, during any Restraint Period:

- (a) represent itself as being in any way connected with or interested in or associated with:
 - (i) a Target Company (except (if applicable) as the prior majority shareholder of Neptune Marine and indirect owner of the Sale Shares); or
 - (ii) any business carried on by the Buyer or by a Target Company;
- (b) do or say anything harmful to the reputation of a Target Company or which may lead a person to cease, curtail or alter the terms of its dealings with a Target Company;
- (c) interfere with the relationship between the Business and its customers, licensors, employees or suppliers;
- (d) use a name that is similar to the name of a Target Company as at Completion;
- (e) use any of the Transferring Intellectual Property or other intellectual property rights connected with the Business or owned by a Target Company, including but not limited to the use of the name “*Neptune*” and the website “*www.neptunems.com*” and “*www.neptunems.com.au*” without the prior written consent of the Buyer;
- (f) disclose or use to the disadvantage or detriment of the Business, the Buyer or any Target Company:
 - (i) the name of any customer of a Target Company;
 - (ii) any of the intellectual property rights of the Business or a Target Company; or
 - (iii) any of the trade secrets, secret or confidential operations, processes or dealings of, or any confidential information relating to, the Business, a Target Company or its organisation, finances, transactions or affairs; or
- (g) institute, maintain or support any claim for infringement of any intellectual property rights connected with the Business or any related moral rights.

3.2.4 *No solicitation of employees*

- (i) During the Restraint Period, the Company must not, and must procure that each MTQ Affiliate does not, for any reason (whether on its own behalf or on the behalf of any other person) solicit or attempt to solicit for employment any person who is an employee of a Target Company immediately following Completion.
- (ii) The provision set out in Section 3.2.4(i) does not restrict the Company, or any MTQ Affiliate from soliciting or engaging the services of a person who was an employee of a Target Company immediately following Completion, by general employment advertising (not being an advertisement targeted specifically at the person concerned or employees of a Target Company or the Buyer Group generally).

LETTER TO SHAREHOLDERS

4. THE PROPOSED DISPOSAL AS A “MAJOR TRANSACTION”

Based on the unaudited financial statements of the Group for 1QFY2020, 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 the Business	S\$16,465,000
	Net asset value of the Group	S\$71,533,000
	Relative figure	23.0%
2.	Rule 1006(b)	
	Net loss attributable to the Business	(S\$10,000)
	Net profit of the Group for 1QFY2020	S\$981,000
	Relative figure	(1.0%) ¹
3.	Rule 1006(c)	
	Aggregate value of consideration ²	(A) S\$17,586,000; and (B) S\$20,154,000
	Market capitalisation of the Company	S\$46,508,000 ³
	Relative figure ²	(A) 37.8%; and (B) 43.3%
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) The aggregate values of consideration and the relative figures set out in Rule 1006(c) are based on A) Minimum Consideration of A\$18,531,000; and B) Maximum Consideration of A\$21,237,000 as defined in Section 2.4.1 above.
- (3) The market capitalisation of the Company is based on the total number of shares excluding treasury shares of 216,318,488 multiplied by the volume weighted average price of S\$0.215 on 22 July 2019, being the market day immediately preceding the date of the SPA.
- (4) The above figures are translated at an exchange rate of S\$1.00: A\$0.949 where relevant.

LETTER TO SHAREHOLDERS

As the applicable relative figures computed on the bases of Rules 1006(a) and 1006(c) are more than 20%, accordingly, the Proposed Disposal is 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.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

5.1 General

The financial effects of the Proposed Disposal on the Group are prepared based on the Group’s audited consolidated financial statements for FY2019, adjusted retrospectively for and as a result of adoption of the new *SFRS(I) 16 Leases* that is effective from 1 April 2019. The Consideration is subject to certain computations and adjustments as described in Section 2.4 above and will not be finalised until after Completion. For the purpose of illustrating the financial effects under this Section 5.1, the Consideration is derived from the Minimum Consideration and Maximum Consideration and includes the adjustments based on the Fixed Assets Amount and the Working Capital Amount as at the dates below:

- (a) For the purpose of computing the LPS of the Group after the Proposed Disposal, it is assumed that the Proposed Disposal was completed on 1 April 2018.
- (b) For the purpose of computing the NTA per Share and gearing of the Group, it is assumed that the Proposed Disposal was completed on 31 March 2019.

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.

5.2 Effect on Share Capital

As at the Latest Practicable Date, the issued and paid-up capital of the Company is S\$48,914,000 comprising 216,318,488 Shares, excluding 8,303 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.

5.3 Effect on NTA per share

The effect of the Proposed Disposal on the consolidated NTA per Share of the Group as at 31 March 2019 is as follows:

	Before the Proposed Disposal	After the Proposed Disposal	
		Minimum Consideration	Maximum Consideration
NTA (S\$'000)	65,426	66,589	69,157
Number of Shares (excluding treasury shares) ('000)	216,319	216,319	216,319
NTA per Share (Singapore cents)	30.2	30.8	32.0

Note:

NTA per Share is computed by NTA divided by the number of Shares (excluding treasury shares).

LETTER TO SHAREHOLDERS

5.4 Effect on LPS

The effect of the Proposed Disposal on the consolidated LPS of the Group for FY2019 is as follows:

	Before the Proposed Disposal	After the Proposed Disposal	
		Minimum Consideration	Maximum Consideration
Net loss attributable to Shareholders (S\$'000)	(5,122)	(3,066)	(498)
Weighted average number of Shares (excluding treasury shares) ('000)	213,440	213,440	213,440
LPS (Singapore cents)	(2.4)	(1.4)	(0.2)

Notes:

- (1) LPS is computed by taking the net loss attributable to Shareholders divided by weighted average number of Shares (excluding treasury shares).
- (2) The effect of the Proposed Disposal on the consolidated LPS is arrived at after taking into account:
 - (i) the absence of the losses attributable to the Business for FY2019 amounting to S\$2,627,000 had the Proposed Disposal been completed on 1 April 2018;
 - (ii) the excess of Maximum Consideration and Minimum Consideration over the carrying amount of the Business of S\$3,712,000 and S\$1,144,000 respectively as at 1 April 2018; and
 - (iii) the accumulated foreign exchange losses of S\$1,715,000 relating to the Business residing in the Group's currency translation reserve as at 1 April 2018.

5.5 Effect on Gearing Ratio

The effect of the Proposed Disposal on the gearing ratio of the Group for FY2019 is as follows:

	Before the Proposed Disposal	After the Proposed Disposal	
		Minimum Consideration	Maximum Consideration
Net debt/(cash) (S\$'000) ¹	2,215	(2,834)	(2,834)
Total equity (S\$'000)	71,217	72,338	74,906
Gearing ratio	3.0%	N.A. ²	N.A. ²

Notes:

- (1) Excluding S\$18.6 million lease liabilities recognised on adoption of *SFRS(I) 16 Leases*.
- (2) The Group would have been in a net cash position after the Proposed Disposal, and therefore not applicable.

LETTER TO SHAREHOLDERS

6. RATIONALE FOR THE PROPOSED DISPOSAL

Although the outlook in the Australian subsea market has improved from a year ago, Neptune Marine's business segment has continued to face challenges. The divestment by Neptune Marine represents a strategic move to enable the Group to maintain a stake in the subsea business, and unlock the value of Neptune Marine's subsea units by partnering with an established subsea vessel operator.

The deal structure, which includes a scrip component comprising the Consideration Shares, will enable the Group to derive synergy from the combined business through its shareholding in the Buyer.

The injection of Neptune Marine's subsea operations into the Buyer is considered a strong fit as Neptune Marine's and the Buyer's businesses are complementary to each other through the combination of the Buyer's vessel assets and Neptune Marine's subsea equipment and technical expertise. The Proposed Disposal will enable the subsea businesses to offer improved services to its clients through guaranteed access to the Buyer's owned and chartered fleet, while the Buyer's fleet capability will be enhanced with pre-mobilised equipment and packaged services and the combined business will have a broader scope of innovative engineering capability. There is also an overlapping regional presence in Australia and South East Asia, enabling cross selling of services and enhancement of client relationships across multiple levels of the oil and gas development cycle.

7. USE OF PROCEEDS

Subject to the adjustments as set out in Section 2.4.4, the Consideration for the sale and purchase of the Sale Shares comprises the Cash Consideration of A\$5,000,000 and the Consideration Shares.

It is the current intention of Neptune Marine's directors that, subject to receipt of necessary shareholder approvals and subject to applicable law and regulatory requirements:

- (i) the Consideration Shares will be distributed pro-rata to shareholders of Neptune Marine as soon as practicable following Completion; and
- (ii) following the expiry of the Cash Maintenance Obligation (being the date falling six (6) months from the Completion Date), the Cash Consideration (after the costs associated with the Proposed Disposal, amounts owing to creditors and working capital costs are deducted) will be distributed pro-rata to shareholders of Neptune Marine as soon as practicable.

In the event the Cash Consideration is distributed, the Company intends for the amount received to be used to fund future business expansions, investments and acquisitions when suitable opportunities arise and general working capital requirements of the Group. 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.

LETTER TO SHAREHOLDERS

8. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND CONTROLLING SHAREHOLDERS

8.1 Interest in the Company

The interests of the Directors and Substantial Shareholders in the Company on the Register of Directors' Shareholdings and the Register of Substantial Shareholders as at the Latest Practicable Date are as follows:

	As at the Latest Practicable Date		
	Direct Interest (No. of Shares)	Deemed Interest (No. of Shares)	Total Interest (%) ⁽¹⁾
Directors			
Kuah Kok Kim	54,313,010	–	25.11
Kuah Boon Wee	7,669,539	–	3.55
Huang Yuan Chiang	273,030	–	0.13
Nicholas Campbell Cocks	–	637,659 ⁽²⁾	0.29
Chew Soo Lin	–	–	–
Ho Han Siong Christopher	–	–	–
Ong Eng Yaw	–	–	–
Substantial Shareholders (other than Directors)			
Maclean Investments Limited	26,831,478 ⁽³⁾	–	12.40
Tai Tak Securities Pte Ltd	22,606,217	–	10.45
Singapore Warehouse Company (Private) Ltd	11,843,570	–	5.48
BOS Trustee Limited	–	26,831,478 ⁽⁴⁾	12.40
Kurt Robert Malkolm Lindblad	–	26,831,478 ⁽⁴⁾	12.40
Tai Tak Estates Sdn Bhd	–	22,606,217 ⁽⁵⁾	10.45
SG Investments Pte Ltd	–	22,606,217 ⁽⁶⁾	10.45
Ho Han Leong Calvin	23,000	22,606,217 ⁽⁷⁾	10.46
Hwa Hong Corporation Limited	–	11,843,570 ⁽⁸⁾	5.48

Notes:

- (1) Based on 216,318,488 Shares in issue (excluding 8,303 Shares held as treasury shares) as at the Latest Practicable Date.
- (2) Mr. Nicholas Campbell Cocks is deemed to be interested in the Shares held by Readymix Holdings International Pte Ltd by virtue of Section 4 of the SFA.
- (3) Maclean Investments Limited ("**Maclean**") through its custodian, Citibank Nominees Singapore Pte Ltd, holds 26,831,478 Shares in the Company.
- (4) BOS Trustee Limited ("**BOSTL**") (formerly known as "OCBC Trustee Limited") is the trustee of a trust known as The Limpa Trust ("**the Trust**") constituted by the Settlor, Mr. Kurt Robert Malkolm Lindblad. Maclean, a company incorporated in British Virgin Islands, is the investment holding vehicle of the Trust and is 100% owned by BOSTL in its capacity as trustee of the Trust. BOSTL is deemed to be interested in the Shares held by Maclean. Under the terms of the Trust, Mr. Kurt Robert Malkolm Lindblad is deemed to be interested in the Shares that are held by Maclean.

LETTER TO SHAREHOLDERS

- (5) Tai Tak Estates Sdn Bhd is deemed to be interested in the Shares held by Tai Tak Securities Pte Ltd by virtue of Section 4 of the SFA.
- (6) SG Investments Pte Ltd is deemed to be interested in the Shares held by Tai Tak Securities Pte Ltd by virtue of Section 4 of the SFA.
- (7) Mr. Ho Han Leong Calvin is deemed to be interested in the Shares held by Tai Tak Securities Pte Ltd by virtue of Section 4 of the SFA.
- (8) Hwa Hong Corporation Limited is deemed to be interested in the Shares held by Singapore Warehouse Company (Private) Ltd. by virtue of Section 4 of the SFA.

8.2 Interest in the Proposed Disposal and Deed of Guarantee

Save for Mr. Kuah Kok Kim's deemed interest in the Target Companies' shares by virtue of his shareholdings in the Company as disclosed above, none of the Directors or Controlling Shareholders of the Company have any interest, direct or indirect, in the Proposed Disposal and/or the Deed of Guarantee.

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 such person.

10. **DIRECTORS' RECOMMENDATION**

The Board, having considered the rationale and benefit of the Proposed Disposal, is of the opinion that the Proposed Disposal and the Deed of Guarantee is in the best interests of the Company. Accordingly, the Board recommends that the Shareholders vote in favour of the resolutions relating to the Proposed Disposal to be proposed at the EGM, and, subject to the approval of Shareholders, the Board intends to procure Blossomvale to vote in favour of the Proposed Disposal at the Neptune EGM.

11. **EXTRAORDINARY GENERAL MEETING**

The EGM, notice of which is set out on pages N-1 and N-2 of this Circular, will be held on 1 October 2019, at 10.00a.m. at Genting Hotel Jurong, Genting Ballroom 3, Level 1, 2 Town Hall Link, Singapore 608516, for the purpose of considering, and if thought fit, passing with or without any modifications, the Resolutions set out in the Notice of EGM.

12. **ACTION TO BE TAKEN BY SHAREHOLDERS**

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend and vote at the EGM on their behalf should complete, sign and return the Proxy Form enclosed with this Circular in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Company's registered office at 182 Pandan Loop, Singapore 128373 not less than 48 hours before the time fixed for the EGM. The completion and return of the Proxy Form by such Shareholder will not prevent him from attending and voting in person at the EGM in place of his proxy should he subsequently wish to do so. Only Shareholders whose names are entered on the Register of Members of the Company will receive a proxy form with this Circular. A proxy need not be a Shareholder of the Company.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP as at 72 hours before the EGM.

LETTER TO SHAREHOLDERS

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal, the Deed of Guarantee, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular 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 Circular in its proper form and context.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the Company's registered office at 182 Pandan Loop, Singapore 128373 for a period of three (3) months from the date of this Circular:

- (a) the SPA;
- (b) the Deed of Guarantee;
- (c) the Constitution of the Company; and
- (d) the annual report of the Company for FY2019.

Yours faithfully

For and on behalf of the Directors of
MTQ Corporation Limited

Kuah Kok Kim
Chairman

**APPENDIX A: CONSOLIDATED FINANCIAL STATEMENTS OF THE BUYER
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2017, 2018 AND 2019**

**Consolidated Statement of Financial Position
As at 30 June**

	2017 A\$'000	2018 A\$'000	2019 A\$'000
Current Assets			
Cash and cash equivalents	28,757	69,648	70,155
Trade and other receivables	65,317	61,641	63,275
Inventories	3,032	1,615	1,974
Prepayments	1,254	1,062	1,149
Assets classified as held for sale	35,944	9,397	–
Total Current Assets	134,304	143,363	136,553
Non-Current Assets			
Property, plant and equipment	498,386	496,421	482,322
Total Non-Current Assets	498,386	496,421	482,322
Total Assets	632,690	639,784	618,875
Current Liabilities			
Trade and other payables	37,386	32,309	30,481
Unearned revenue	66	375	831
Borrowings	5	1,739	2,743
Provisions	10,208	10,665	11,354
Current tax liabilities	2,607	1,186	1,806
Customer deposits	2,000	–	160
Total Current Liabilities	52,272	46,274	47,375
Non-Current Liabilities			
Trade payables	8,597	5,020	5,296
Borrowings	314,447	259,933	262,807
Provisions	885	262	152
Total Non-Current Liabilities	323,929	265,215	268,255
Total Liabilities	376,201	311,489	315,630
Net Assets	256,489	328,295	303,245
Equity			
Issued capital	561,275	654,735	654,735
Reserves	115,199	121,454	133,777
Accumulated losses	(419,985)	(447,894)	(485,267)
Total Equity	256,489	328,295	303,245

Source: <https://www.mmaoffshore.com>

**APPENDIX A: CONSOLIDATED FINANCIAL STATEMENTS OF THE BUYER
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2017, 2018 AND 2019**

**Consolidated Statement of Comprehensive Income
For the year ended 30 June**

	2017 A\$'000	2018 A\$'000	2019 A\$'000
Continuing Operations			
Revenue	221,766	200,444	239,259
Investment income	133	463	1,278
Other (losses)/gains	(14,960)	87	(556)
Vessel expenses	(241,636)	(206,484)	(238,951)
Administration expenses	(7,377)	(7,092)	(7,402)
Impairment (charge)/reversal	(287,542)	8,407	(10,361)
Finance costs	(26,444)	(23,201)	(19,146)
Loss before tax from continuing operations	(356,060)	(27,376)	(35,879)
Income tax (expense)/benefit	1,729	(533)	(1,494)
Loss for the Year from continuing operations	(354,331)	(27,909)	(37,373)
Discontinued Operations			
Loss from discontinued operations	(23,701)	–	–
Loss for the Year	(378,032)	(27,909)	(37,373)
Other Comprehensive Income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(6,906)	13,302	20,742
(Loss)/gain on hedge of net investment in a foreign operation	7,142	(6,087)	(8,886)
Other comprehensive income for the year, net of tax	236	7,215	11,856
Total Comprehensive Loss for the Year	(377,796)	(20,694)	(25,517)
Loss attributable to owners of the Company	(378,032)	(27,909)	(37,373)
Total comprehensive loss attributable to owners of the Company	(377,796)	(20,694)	(25,517)

Source: <https://www.mmaoffshore.com>

**APPENDIX A: CONSOLIDATED FINANCIAL STATEMENTS OF THE BUYER
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2017, 2018 AND 2019**

**Consolidated Statement of Cash Flows
For the year ended 30 June**

	2017 A\$'000	2018 A\$'000	2019 A\$'000
Cash Flows from Operating Activities			
Receipts from customers	244,195	205,157	241,305
Interest received	133	463	1,278
Payments to suppliers and employees	(236,413)	(189,324)	(202,578)
Income tax (paid)/received	6,638	(1,754)	(955)
Interest and other costs of finance paid	(20,647)	(16,880)	(16,895)
Net Cash Provided by/(Used in) Operating Activities	(6,094)	(2,338)	22,155
Cash Flows from Investing Activities			
Payments for property, plant and equipment	(28,033)	(9,194)	(17,501)
Proceeds from sale of property, plant and equipment	75,536	25,288	7,491
Deposit for investment in business combination	425	–	(5,000)
Dividends received	9,063	–	–
Net Cash (Used in)/Provided by Investing Activities	56,991	16,094	(15,010)
Cash Flows from Financing Activities			
Proceeds from issue of shares	–	97,000	–
Payment of share issue costs	–	(4,558)	–
Repayment of borrowings	(67,326)	(61,298)	(7,256)
Financing fees on borrowings	(3,723)	(4,003)	(9)
Net Cash Provided by/(Used in) Financing Activities	(71,049)	27,141	(7,265)
Net (decrease)/increase in cash and cash equivalents	(20,152)	40,897	(120)
Cash and cash equivalents at the beginning of the financial year	49,725	28,757	69,648
Effects of exchange rate changes on the balance of cash held in foreign currencies	(816)	(6)	627
Cash and Cash Equivalents at the End of the Financial Year	28,757	69,648	70,155

Source: <https://www.mmaoffshore.com>

The financial statements set out above are extracted and reproduced for Shareholders' reference only, and Shareholders are advised to refer to the full set of financial reports of the Buyer for the relevant financial periods at: <https://www.mmaoffshore.com/investor-centre/financial-report>

NOTICE OF EXTRAORDINARY GENERAL MEETING

MTQ CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 196900057Z)

NOTICE OF EXTRAORDINARY GENERAL MEETING

All capitalised terms used in this Notice of EGM which are not defined herein shall have the same meaning ascribed to them in the Circular to Shareholders dated 13 September 2019.

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of MTQ Corporation Limited (the “**Company**”) will be held at Genting Hotel Jurong, Genting Ballroom 3, Level 1, 2 Town Hall Link, Singapore 608516 on 1 October 2019 at 10.00a.m. for the purpose of considering and, if thought fit, passing with or without any amendments, the following resolutions:

ORDINARY RESOLUTION 1: APPROVAL FOR THE PROPOSED DISPOSAL

IT IS RESOLVED That:

- (a) approval be and is hereby given, for the purpose of Chapter 10 of the Listing Manual of the SGX-ST, for the disposal of all the issued securities, representing the entire issued and paid-up capital of the Direct Target Companies and Indirect Target Companies, by Neptune Marine Services Limited (“**Neptune Marine**”), a subsidiary of the Company to MMA Offshore Limited (“**Buyer**”) for a consideration comprising (a) cash of A\$5,000,000; and (b) ordinary shares in the capital of the Buyer, in accordance with the terms and conditions of the sale and purchase agreement entered into between the Neptune Marine and the Buyer dated 23 July 2019 (“**SPA**”); and
- (b) the Directors of the Company and each of them be and are hereby authorised to take such steps, approve all matters, implement, execute, perfect or give effect to complete and do all such acts and things (including executing all such documents as may be required) for the purposes of giving effect to or facilitating the Proposed Disposal with full power to assent to any condition, amendment, alteration, modification or variation (including to the SPA) as may be required or as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to complete the transactions contemplated in the Proposed Disposal and to give effect to this Resolution.

ORDINARY RESOLUTION 2: APPROVAL FOR THE DEED OF GUARANTEE

IT IS RESOLVED That, conditional upon the approval by Shareholders of Ordinary Resolution 1:

- (a) in connection with the Proposed Disposal, approval be and is hereby given for the Company to deliver the deed of guarantee dated 23 July 2019 entered into between the Company and the Buyer (“**Deed of Guarantee**”), and for the Company to assume and undertake all the obligations of the Company under the terms and conditions thereunder, including without limitation, to guarantee the obligations assumed by and imposed on Neptune Marine or any of its subsidiaries under or in connection with the SPA or any document contemplated by or entered into in connection with the SPA; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the Directors of the Company and each of them be and are hereby authorised to take such steps, approve all matters, implement, execute, perfect or give effect to complete and do all such acts and things (including executing all such documents as may be required) for the purposes of giving effect to or facilitating the performance of any obligation under the Deed of Guarantee with full power to assent to any condition, amendment, alteration, modification or variation as may be required or as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to complete the transactions contemplated in the Deed of Guarantee and to give effect to this Resolution.

By Order of the Board

Tan Lee Fang
Company Secretary
Singapore, 13 September 2019

Notes:

- (1) Unless otherwise defined, all capitalised terms shall have the meanings ascribed to them in the Company's Circular dated 13 September 2019.
- (2) A Member who is not a relevant intermediary, is entitled to appoint more than two proxies to attend and vote in his/her stead at the Extraordinary General Meeting (the "**Meeting**").
- (3) A Member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Member.
- (4) A proxy need not be a member of the Company.
- (5) The instrument appointing the proxy that has been executed by a Shareholder must be deposited at the registered office of the Company at 182 Pandan Loop, Singapore 128373 not less than forty-eight (48) hours before the time fixed for holding the Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing, administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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PROXY FORM

MTQ CORPORATION LIMITED

(Company Registration No. 196900057Z)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Extraordinary General Meeting and vote (please see note 5 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is set solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM EXTRAORDINARY GENERAL MEETING

I/We* _____ (Name)

of _____ (Address)

being a member/members* of MTQ Corporation Limited (the "Company") hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)*

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Extraordinary General Meeting (the "Meeting") of the Company to be held at Genting Hotel Jurong, Genting Ballroom 3, Level 1, 2 Town Hall Link, Singapore 608516 on 1 October 2019 at 10.00a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolution to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Ordinary Resolution	Number of votes for*	Number of votes against*
1	To approve the Proposed Disposal		
2	To approve the Deed of Guarantee		

* If you wish to exercise all your votes "For" or "Against". Please indicate with a tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

Total Number of Shares in:	No. of Shares
(i) CDP Register	
(ii) Register of Members	

Signature(s) of Shareholder(s) or,
Common Seal of Corporate Shareholder

* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM



PROXY FORM

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two or more proxies, he/she shall specify the proportion of his/her shareholding (expressed as percentage of the whole) to be represented by each proxy. If no such proportion is specified, the first named proxy shall be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.
5. "Relevant intermediary" means:
 - (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who hold shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
6. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.
7. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 182 Pandan Loop, Singapore 128373 not less than 48 hours before the time appointed for the Meeting.
8. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter of power of attorney or a duly certified copy thereof must be lodged with the instrument.
9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 13 September 2019.

GENERAL

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.