

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

ANNUAL GENERAL MEETING TO BE HELD ON 28 JULY 2022
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

MTQ Corporation Limited (the “**Company**”) would like to thank shareholders for submitting their questions in advance of the upcoming Annual General Meeting (“**AGM**”) to be held by way of electronic means on 28 July 2022, 10.00 a.m.

The Appendix annexed herein sets out the Company’s responses to the substantial questions received from shareholders and other stakeholders that are relevant to the AGM resolutions and the business of the Company and its subsidiaries (the “**Group**”).

The questions received have been grouped into the following key topics:

- Market and business outlook
- Rationalizing Singapore properties
- Collaboration with Cameron Singapore, a unit of Schlumberger
- Addressing climate change and transition from fossil fuels
- Financials

Please refer to the Appendix for the Group’s responses.

By Order of the Board

Tan Lee Fang
Company Secretary

22 July 2022

Appendix

1	<p>MARKET AND BUSINESS OUTLOOK</p> <p>With the increase in oil price, does the Group expect revenue to increase in the coming year? Has the maintenance works that were deferred during the period of low oil prices commenced with higher oil prices?</p> <p>How well is the Group positioned to tap into the Middle East market which seems to be driving the global demand? What are the major challenges in this market?</p> <p>Response:</p> <p>Oil prices reaching their highest levels in six years have spurred activities globally. Many oil and gas (O&G) companies, while still practicing capital discipline, are now seen to reactivate projects which were shelved 1-2 years ago. As mentioned in the Chairman and Group CEO statement, drilling activity has improved since late 2021 and rig counts have trended up in both Asia Pacific and Middle East. This improved macro environment bodes well for the Group in the current financial year and order books are looking to improve and surpass FY19/20 levels currently.</p> <p>Our subsidiary in Bahrain has a world class state-of-the art advanced facility approved by global OEMs for validation of various components. We have over 10 years of experience doing refurbishing, repair and new manufacturing works for various world known OEMs, assets owners, service companies as well as drilling contractors serving the Middle Eastern market. We have excellent track records that meet and exceed our customers' expectations and earned ourselves a reputation as a trusted services provider for the industry in the GCC. Accordingly, we are proud to say that the Group is well positioned in tapping into the Middle Eastern market. Our relationships and trusts built in Bahrain also augur well with our Singapore operations – we have recently landed a couple of sizeable orders to modify components of certain rigs in Singapore for the eventual deployment in the Middle East. (Please visit http://www.mtq.com.sg/bahrain.html containing a corporate video on the Group's operations and its facility in Bahrain.)</p> <p>The challenge, particularly in Singapore and Bahrain, is that the Group continues to rely on foreign-sourced workers to helm workshop positions. Recruiting for local positions as well as retaining experienced staff remains challenging and the COVID-19 situation accentuated this in the last 2.5 years.</p>
2	<p>RATIONALIZING SINGAPORE PROPERTIES</p> <p>What are the plans for the property located at 182 Pandan Loop Singapore 128373 ("Pandan Property") after the key operations are relocated to Tuas?</p> <p>What is the market value of Pandan Loop property?</p> <p>Does the Group see any cost savings and if yes, what is the estimated savings?</p>

	<p>Response:</p> <p>In February 2022, the Company acquired a leasehold property situated at 100 Tuas South Avenue 8 Singapore 637424 (“Tuas Property”) as part of its strategic collaboration with Cameron Singapore. The Tuas Property, which measures 31,000 square meters, has a bigger land and built area than its Pandan Property and has a potential lease term of up till 31 March 2042 (subject to satisfaction of certain criteria as set out by JTC).</p> <p>Following this, the Group has concluded that the Pandan Property is surplus to its current needs in Singapore and is in preparation to relocate its main Pandan Loop’s operations and headquarter to the Tuas Property. Based on the Group’s audited consolidated financial statements for FY2022, the total expenses incurred by the Group in relation to the Pandan Property is estimated to be approximately S\$1.1 million and the Group believes that it is in its interests to rationalize its properties in Singapore to save on lease and property expenses.</p> <p>The Group has been sourcing for potential buyers for its Pandan Property, which comes with a waterfront length of approximately 100m, and have made a separate announcement relating to a proposed disposal of the Pandan Property prior to this announcement.</p> <p>A valuation performed by the Company solely for the preparation of the Group’s audited financial statements for the financial year ended 31 March 2022 suggested that the fair value of the Pandan Property was approximately S\$6.6m as at 31 March 2022. This is excluding any costs to sell or any costs that the Group may need to incur in order to assign the JTC lease to the buyer.</p>
<p>3</p>	<p>COLLABORATION WITH CAMERON SINGAPORE, A UNIT OF SCHLUMBERGER</p> <p>Could the Group give a better understanding on the scale of service and maintenance business signed with Cameron Singapore?</p> <p>How much revenue is it estimated to contribute annually and are the gross margins better than the group’s margins currently?</p> <p>Response:</p> <p>The service agreement executed with Cameron Singapore relates to the provision of in plant repair and remanufacturing services to Cameron for its pressure control equipment in the Asia Pacific region for a period of 10 years. This agreement essentially gives the Group the first right of refusal to take on all the repair and remanufacturing services which Cameron used to perform in the Tuas Property prior to being sold to the Group. However, it does not guarantee any minimum volume of work and contribution from Cameron Singapore depends very much on end customers’ requirements and is also a function of market drilling activities. That said, we have seen a positive increase in customer inquiries. The Group will be in a better position to comment on the actual contribution when we release our half-year financial results in October 2022.</p> <p>Generally, repair services are expected to command higher average margins compared to new manufacturing but ultimately depends on the specific scope of the work to be performed.</p>

4	<p>TRANSITION FROM FOSSIL FUELS AND ADDRESSING CLIMATE CHANGE</p> <p>Will there be a secular decline in demand for fossil fuels in the near term and can the Company share its thinking on the mid to long-term growth prospects of its oilfield engineering business?</p> <p>Has the Group established investments targets for diversification efforts to non-fossil fuel businesses? Can the Group share its efforts in looking at new sectors growth outside fossil fuels?</p> <p>How is the Group addressing climate change or driving global transition from fossil fuels to renewable energy?</p> <p>Response:</p> <p>While global demand shifts towards renewables, the Group believes that demand for fossil fuels will continue to persist in mid to long-term. Having said, oil and gas companies will have to inevitably reinvent themselves in order to stay sustainable. MTQ, which is predominantly a heavy engineering company serving the oil and gas industry, will also need to renew our efforts to look at new sectors of growth outside fossil fuels. The Group has not identified any specific investment targets nor has any concrete plan re diversification outside fossil fuels space. Ideally, any new sectors that the Group could explore into can provide a strong synergy to complement its current heavy engineering capabilities.</p> <p>In addressing climate change – the Group has disclosed its efforts and progress in measuring and monitoring its carbon footprint in its latest sustainability report. We believe these are the initial key steps to managing and reporting emissions consistent with the TCFD recommendations in the future. In addition, the Group deployed solar solutions in 2 of our facilities in Pandan Loop and Loyang Way and we are exploring similar solutions for our facilities in Tuas and Bahrain in the near future to reduce its carbon footprint.</p> <p>Linking Part 2 above, rationalizing our properties in Singapore would also mean reducing duplicated sets of energy demand and consumptions. In the interim, the energy intensity is expected to increase simply by virtue of having to operate a surplus facility in the short term.</p>
5	<p>FINANCIALS</p> <p>As at 31 March 2022, the Group has cash and cash equivalents of S\$8.33 million, down from S\$22.5 million a year ago. Does the Group have the necessary working capital to fund its operations and to support its growth plans?</p> <p>Response:</p> <p>Yes, the Group has committed revolving credit facilities which it can access to fund its working capital gap when required. Although these credit facilities mature in April/May 2023, the Group has commenced renewal discussions with its key bankers and is currently expecting the renewal process to complete in early 2023.</p>