

PROPOSED ACQUISITION OF BUSINESS

1. INTRODUCTION

- 1.1 The Board of Directors (“**Board**”) of MTQ Corporation Limited (the “**Company**” together with its subsidiaries, collectively, the “**Group**”) wishes to announce that the Company’s wholly-owned subsidiary, Mid-Continent Distribution Pte. Ltd. (“**Mid-Continent Distribution**”) has, on 7 August 2018, entered into a conditional sale and purchase agreement (“**Agreement**”) with Mid-Continent Equipment Group Ltd (“**Vendor**”) to acquire the Vendor’s business of supplying and distributing oilfield equipment and spares (“**Business**”) and the assets in relation thereto (“**Proposed Acquisition**”).
- 1.2 The Vendor is a 55.89% owned subsidiary of Magnus Energy Group Ltd. (“**Magnus**”), a company incorporated in Singapore and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).
- 1.3 The relative figures under Rules 1006 of the SGX-ST Listing Manual do not exceed 5%. Accordingly, the Proposed Acquisition constitutes a “Non-disclosable Transaction”. Notwithstanding that the Proposed Acquisition constitutes a “Non-disclosable Transaction” the Board has resolved to announce the Proposed Acquisition in the interest of disclosure and transparency.

2. RATIONALE FOR THE PROPOSED ACQUISITION

The Company views the Proposed Acquisition as an opportunity to increase the scope and scale of its oilfield operations. The expansion of the Group’s products and service offering are complementary to the Group’s existing businesses.

In view of the above, the Board is of the view that the Proposed Acquisition is in the interest of the Group.

3. SALIENT TERMS OF THE AGREEMENT

3.1 Proposed Acquisition

Pursuant to the terms of the Agreement, Mid-Continent Distribution has agreed to purchase:

- (a) the Business of the Vendor as a going concern; and
- (b) the following property, assets and rights of the Vendor used in the conduct of the Business, *inter alia*:
 - (i) inventory of the Business comprising oilfield equipment and spares (“**Inventory**”) as at completion of the Proposed Acquisition (“**Completion**”);
 - (ii) certain intellectual property rights comprising, *inter alia*, the trade name, trademarks and copyright materials comprising the words “Mid-continent”, “Midcontinent” and “中大陆”; and
 - (iii) goodwill of the Vendor in relation to the Business.

3.2 Conditions Precedent

Completion is conditional on, *inter alia*:

- (a) all the warranties being true, accurate and not misleading as at Completion;
- (b) the Vendor having performed or complied with all its obligations and undertakings in the Agreement; and
- (c) execution by (i) each employee of the Vendor named in the Agreement (each an “**Employee**”) and the Vendor a letter pursuant to which the Employee and the Vendor shall agree to the termination of the employment of the Employee with effect from Completion Date (as defined below); and (ii) each Employee and Mid-Continent Distribution (or its subsidiary) of a new employment/service contract with Mid-Continent Distribution (or its subsidiary) commencing from the Completion Date,

(collectively, the “**Conditions Precedent**”).

In the event that any of the Conditions has not been fulfilled (or waived) prior to the Long Stop Date, the date falling three (3) months from the date of the Agreement (or such other period as the parties may agree), the Agreement (other than the certain surviving provisions) shall automatically terminate and neither party shall have any claim hereunder against the other party (save in respect of claims arising out of any antecedent breach of the Agreement).

3.3 Consideration

The total price for the Business and Assets to be paid by Mid-Continent Distribution to the Vendor is US\$1,000,000 comprising the following three (3) tranche of payments:

- (a) a first tranche payment equivalent to US\$100,000 (“**First Tranche Consideration**”);
- (b) a second tranche payment equivalent to US\$600,000 (“**Second Tranche Consideration**”); and
- (c) a third tranche payment equivalent to US\$300,000 (“**Third Tranche Consideration**”).

The Third Tranche Consideration is subject to certain agreed adjustments based on the difference between the Agreed Inventory Value and the actual inventory value as at Completion pursuant to the Agreement.

The Consideration was arrived at on a willing buyer, willing seller basis taking into consideration the existing inventory of the Business valued at US\$400,000 (“**Agreed Inventory Value**”). No valuation has been conducted on the existing goodwill and the existing inventory of the Business.

Pursuant to the Agreement, the First Tranche Consideration shall be paid by the Purchaser to the Vendor on or before the date of the Agreement and the Second Tranche Consideration is payable on Completion. The Third Tranche Consideration is payable within thirty (30) days from the date the actual inventory value is determined.

3.4 Completion

Completion shall take place the later of the date falling seven (7) calendar days after the satisfaction or waiver of the final Condition Precedent, or such other date as may be mutually agreed to by parties in writing (“**Completion Date**”).

As at the date of this Announcement, the Conditions Precedent remain outstanding.

3.5 Non-Competition

Pursuant to the terms of the Agreement, the Vendor irrevocably and unconditionally agrees with and undertakes to Mid-Continent Distribution that for a period of three (3) years after Completion, they shall not:

- (a) be employed, engaged or interested in any business within Singapore and/or any other country in South-east Asia (“**Territory**”) that is in competition (whether directly or indirectly) with the Business purchased by Mid-Continent Distribution (“**Relevant Business**”);
- (b) carry on for its own account, either alone or in partnership (to be concerned as a director in any company engaged in), the Relevant Business within the Territory;

- (c) assist with technical advice in relation to the Relevant Business within the Territory;
- (d) solicit in competition with Mid-Continent Distribution and/or any of its subsidiaries, the custom of any person, firm or company who is or who was a customer of Mid-Continent Distribution in respect of Mid-Continent Distribution's Business;
- (e) by any means and at any time use any information whatsoever which he may obtain in connection with its status as a Vendor in any manner which may cause loss or injury to Mid-Continent Distribution and/or any of its subsidiaries, or disclose to any other party at any time any confidential information or trade secrets relevant to the Business, in its possession unless or until it is in the public domain through no act or omission of his own or of his agents or servants and through no act or omission of any other person who was under an obligation of confidentiality in respect of such information, whereupon to the extent that it is public this obligation shall cease; or
- (f) induce any directors or employees of the Purchaser to and/or any of its subsidiaries to terminate such person's directorship or to leave his employment of Mid-Continent Distribution and/or any of its subsidiaries.

4. INTERESTS OF DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS

None of the directors (other than in his capacity as a director or shareholder of the Company) and substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

5. DOCUMENTS FOR INSPECTION

A copy of the Agreement will be made available for inspection during normal business hours at the registered office of the Company at 182 Pandan Loop, Singapore 128373 for three (3) months from the date of this Announcement.

6. SERVICE CONTRACTS

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

7. CAUTION IN TRADING

Shareholders are advised to continue exercising caution in trading their shares and to read this Announcement together with all other existing and future announcements by the Company in relation to the Proposed Acquisition carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

8. RESPONSIBILITY STATEMENT

The directors of the Company ("**Directors**") (including those who may have delegated detailed supervision of the preparation of this Announcement) collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm, after making all reasonable enquiries that to the best of their knowledge and belief, the facts stated and opinions expressed herein are fair and accurate in all material respects as at the date hereof, and that there are no material facts the omission of which would make this Announcement misleading. Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information is accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this Announcement.

By Order of the Board

Tan Lee Fang
Company Secretary

Date: 10 August 2018