

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

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**PROPOSED DISPOSAL BY NEPTUNE MARINE SERVICES LIMITED, A SUBSIDIARY OF  
THE COMPANY**

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**1. INTRODUCTION**

- 1.1 The board of directors (“**Board**”) of MTQ Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that Neptune Marine Services Limited (“**Neptune Marine**”, and together with its subsidiaries the “**Neptune Group**”), a subsidiary of the Company has on 23 July 2019 entered into a share purchase agreement (the “**SPA**”) with MMA Offshore Limited (the “**Buyer**” or “**Purchaser**”), pursuant to which Neptune Marine has agreed to sell, and the Purchaser agreed to acquire, all the issued securities of certain wholly-owned subsidiaries of Neptune Marine as set out in paragraph 1.3 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**”).
- 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 Group (except only for the Excluded Assets (as defined below) and the shares in each of the Non-Transferring Entities (as defined below), 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**”).
- 1.3 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 Ltd, 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**”).

1.4 Pursuant to the terms and conditions of the SPA, 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 (“**Australian Sale Shares**”); and
- (b) the Buyer shall procure that the 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 (“**Buyer Nominee**”) purchases the Sale Shares in the Indirect Target Companies and the PNG Target Company (“**Foreign Sale Shares**”).

1.5 In conjunction with the SPA:

- (a) 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 to and held by the Escrow Agent; and
- (b) the Company has, 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 Condition in 2.3(k) below and certain other undertakings in respect of itself (among others).

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.

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

- 1.7 Separately, as the Proposed Disposal comprises the disposal of Neptune Marine’s main undertaking, the Proposed Disposal will require approval by a simple majority of Neptune Marine’s shareholders at a general meeting to be convened (“**Neptune EGM**”).

## 2. PROPOSED DISPOSAL

### 2.1 Information on the Business and the Target Companies

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. It 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. The Business comprise (i) the property, rights and assets and (ii) the entire business of the Neptune Group (except only for the Excluded Assets (as defined below) and the shares in each of the Non-Transferring Entities (as defined below), which Neptune Marine will retain following completion of the Proposed Disposal. 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
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 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 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.

## 2.2 Information on the Purchaser

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

## 2.3 Conditions

The obligations of the parties with respect to completion of the sale and purchase of the Sale Shares ("**Completion**") 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 passing a resolution:
  - (i) approving the Proposed Disposal for the purposes of Listing Rule 11.2 of the official listing rules of ASX ("**Listing Rule 11.2**") 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" 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 8.00am (Perth time) on the Completion Date (as defined in paragraph 2.4.5 below).
- (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) 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 will be deemed a "Material Contract" (each 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 (as defined in paragraph 2.5.1 below) ("**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):

- (g) The 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 a Target Company on Completion ("**Restructure**"), having been undertaken and completed in accordance with the SPA and to the satisfaction of the Buyer (acting reasonably). For the purposes hereof, the "**Excluded Assets**" comprise all of the property, rights and assets owned or held by PT. Neptune Subsea Stabilisation (Indonesia) (registration number 33.10.2.23.05198) ("**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.
- (h) Each director of Neptune Marine having given (in the announcement to be made by the Buyer and Neptune Marine on the ASX execution of the SPA, the notice of meeting of Neptune Marine's shareholders to convene the 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 property 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 8.00 am (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 a 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 8.00 am (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 (as defined in paragraph 2.5.6 below) (taken as a whole).

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.

## **2.4 Consideration**

### 2.4.1 Consideration and Estimated Consideration

The consideration for the sale and purchase of the Sale Shares ("**Consideration**") comprises:

- (a) cash of A\$5,000,000 ("**Cash Consideration**"); and
- (b) such number of fully paid, ordinary share in the capital of the Buyer ("**Buyer Shares**") calculated in accordance with paragraph 2.4.3 below ("**Consideration Shares**"),

as adjusted in accordance with the terms and conditions of the SPA.

As the Consideration is subject to certain computations and adjustments (details of which are set out below), 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 assuming the Issue Price and VWAP of A\$0.20, the estimated Consideration is approximately A\$18,531,000 ("**Estimated Consideration**").

### 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 the Seller 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 in accordance with paragraph 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, in accordance with paragraph 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; and

“**VWAP**” means 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.

- (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):

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

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



paragraph 2.4.3, and the corresponding implied value of those Consideration Shares, assuming different and notional VWAPs:

VWAP	\$0.16	\$0.20	\$0.25	\$0.275	\$0.30	\$0.35
<b>Notional Issue Price</b>	\$0.20	\$0.20	\$0.25	\$0.275	\$0.30	\$0.35
<b>Notional Buyer Shares issued as Consideration Shares ('000)</b>	67,655	67,655	54,124	54,124	54,124	46,391
<b>Implied value of Buyer Shares (based on notional Issue Price) (A\$'000)</b>	13,531	13,531	13,531	14,884	16,237	16,237

#### 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 the 11.59pm (Perth time) on the Completion Date (“**Effective Time**”), including intangible assets, calculated in accordance with the accounting principles and policies set out in 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 (“**Completion Statement**”) prepared in accordance with the SPA (“**Working Capital Amount**”) is finally agreed or determined in accordance with the terms of the SPA,

or such earlier date as the parties 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 Target Companies' fixed assets and the working capital) (“**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.

- (b) Any payment made under paragraph 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.

#### 2.4.5 Completion

Completion must take place:

- (a) at 11.00am (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 paragraphs 2.3(b), 2.3(j) and 2.3(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 paragraphs 2.3(b), 2.3(j) and 2.3(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 8.00am (Perth time) on the Completion Date, the Condition in paragraphs 2.3(b), 2.3(j) and 2.3(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.

## 2.5 Other Salient Terms of the Proposed Disposal

### 2.5.1 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 (as defined in paragraph 2.5.3 (c) below) 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 (as defined in the SPA) 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 leasehold properties set out in the SPA (“**Leased Properties**”) 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.

#### 2.5.2 Material Contracts

Subject to, and without in any way limiting, paragraph 2.5.3, 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 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:

#### 2.5.3 Certain actions require consent of the Buyer

Without limiting paragraph 2.5.1, but subject 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 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) ("**Transferring Tender**") and any other tender that the Buyer notifies Neptune Marine in writing is deemed to be a "Transferring Tender", which if entered into would be deemed a Material Contract under this document;
- (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;
- (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 paragraph 2.5.1(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 paragraph 2.5.1(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;
- (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 intellectual property rights in 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 Intellectual Property**"); or
- (y) any member of the Neptune Group authorises, procures, commits or agrees to do any of the matters set out above.

#### 2.5.4 Preservation of assets

Until Completion, Neptune Marine must ensure that the Neptune Group protects and maintains each of the property, rights and assets owned or held by any member of the Neptune Group, other than the Excluded Assets and each of the shares in each Non-Transferring Entity ("**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.

#### 2.5.5 Preservation of capital structure

Until Completion, Neptune Marine must ensure that each Target Company, unless pursuant to the SPA, expressly provided for in the plan prepared by EY setting out the steps for settling the intra-group balances of the Neptune Group ("**Intra-Group Settlement Plan**") or 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.

#### 2.5.6 Excluded liabilities indemnity

Neptune Marine unconditionally and irrevocably agrees to indemnify and keep indemnified and hold harmless each member of the Buyer and its related bodies corporate from time to time (including (to avoid any doubt) the Target Companies following Completion) (“**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;
- (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.

#### 2.5.7 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, 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, the Seller undertakes not to apply, encumber, deal with, distribute (to Neptune Shareholders, 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 Warranty**").

#### 2.5.8 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 hereof:

- (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.

2.5.9 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.

**2.5.10 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) Paragraph 2.5.10(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).

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

Based on the unaudited financial statements of the Company 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.	<b>Rule 1006(a)</b>	
	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.	<b>Rule 1006(b)</b>	
	Net loss attributable to the Business	(S\$10,000)
	Net profit of the Group for 1QFY2020	S\$981,000
	Relative figure	(1.0%) <sup>1</sup>

3.	<b>Rule 1006(c)</b>	
	Aggregate value of consideration	S\$27,859,000 <sup>2</sup>
	Market capitalisation of the Company	S\$45,427,000 <sup>3</sup>
	Relative figure	61.3%
4.	<b>Rule 1006(d)</b>	
	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.	<b>Rule 1006(e)</b>	
	Aggregate volume or amount of proved and probable reserves to be disposed of	Not applicable to the Proposed Disposal
	Aggregate of the group's proved and probable reserves	
Relative figure		

**Notes:**

- (1) As the relative figure under Rule 1006(b) is a negative figure, a comparison is not meaningful.
- (2) Based on the aggregate of Cash Consideration of A\$5,000,000 and Consideration Shares of A\$24,356,000, determined by reference to the Net Asset Value of the Buyer (based on the latest publicly available information as at 31 December 2018) of A\$0.36 per share, being the higher of the market value of the Buyer Shares or the net asset value represented by such shares as at date of this announcement. For the purpose of determining the number of Buyer Shares, the Issue Price and VWAP have been assumed to be A\$0.20 in accordance with paragraph 2.4.3 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\$0.21 on 23 July 2019 being the last traded market day preceding the date of this announcement.
- (4) The above figures are translated at an exchange rate of S\$1.00: A\$0.949 where relevant.

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

The Company will be seeking approval of Shareholders at an extraordinary general meeting to be convened. A circular containing, *inter alia*, details of the Proposed Disposal,

together with the notice of extraordinary general meeting, will be despatched to Shareholders in due course.

#### 4. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal on the Group are prepared based on the Group's audited consolidated financial statements for 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 paragraph 2.4 above and will not be finalised until after completion. For the purpose of illustrating the financial effects under this paragraph, the Consideration is derived from the Estimated Consideration and includes the adjustments based on the Fixed Assets and Working Capital positions as at the dates below:

- (a) For the purpose of computing the earnings per share ("**EPS**") of the Group after the Proposed Disposal, it is assumed that the Proposed Disposal was completed on 1 April 2018.
- (b) For the purpose of computing the net tangible assets ("**NTA**") per share and gearing of the Group, it is assumed that the Proposed Disposal was completed on 31 March 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.

##### 4.1 Share capital

As at the date of this announcement, the issued and paid-up capital of the Company is S\$48,914,000 comprising 216,326,791 ordinary shares ("**Shares**"), including 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.

##### 4.2 NTA per Share

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

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

### 4.3 EPS

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

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

### 4.4 Gearing

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

(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.

## 5. EXCESS ON PROPOSED DISPOSAL

The Estimated Consideration of S\$17,586,000 (A\$18,531,000) represents an excess of approximately S\$1,121,000 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.

## 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 unlock the value of Neptune Marine's subsea units by partnering with an established subsea vessel operator.

The injection of the subsea businesses into the Buyer is considered a strong fit as Neptune Marine's and the Buyer's businesses are complementary to each other with 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.

The deal structure, which includes a scrip component comprising the Consideration Shares, will enable the Neptune Group to retain an exposure to the combined business through its shareholding in the Buyer. Based on publicly available information, the Buyer recorded an NTA of A\$0.36 and posted an EBITDA of A\$12.6 million for its half-year ended 31 December 2018. The minimum Issue Price of A\$0.20 used for computing the Consideration Shares represents a maximum discount of 44% to the NTA of Buyer as at 31 December 2018.

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

## **7. USE OF PROCEEDS**

Subject to the adjustments as set out in paragraph 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.

Based on an announcement by Neptune Marine, 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, the Consideration Shares will be distributed pro-rata to shareholders of Neptune Marine as soon as practicable following Completion (a copy of the announcement is accessible in electronic form from <https://www.asx.com.au>).

## **8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

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

## **9. DIRECTORS' SERVICE CONTRACTS**

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



## **10. RESPONSIBILITY STATEMENT**

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

## **11. DOCUMENTS FOR INSPECTION**

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

## **12. CAUTIONARY STATEMENT**

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

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

## **BY ORDER OF THE BOARD**

Tan Lee Fang  
Company Secretary  
24 July 2019