

A NEW HORIZON

MTQ Corporation Limited annual report 2002/2003 A NEW HORIZON



MTQ Corporation Limited
annual report 2002/2003



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MTQ Engine Systems (Aust) Pty Ltd, Melbourne branch

A New Horizon

At MTQ, our people are our greatest asset. Every employee is a qualified MTQ ambassador and together, we work seamlessly to guarantee a high standard of quality service that exceeds customer expectations.

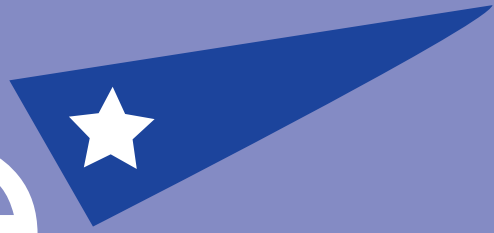
There is a new horizon for us to reach out everyday in the Group's increasingly active cross border activities. We will take on these new challenges and explore these broader horizons with our STAR approach ~ Sincerity, Transparency, Alertness and Responsibility.

CONTENTS

A Note To Shareholders	02
Financial Review	04
<ul style="list-style-type: none">• Financial Highlights• Summary Of Financial Performance• Quarterly Results• Five Years Financial Profile• Group Value Added Statement	
Financial Calendar	11
Oilfield Engineering Division	13
Engine Systems Division	15
Subsea Robotics Division	17
Board Of Directors	18
Senior Management	20
Building Investor Relations	22
Calendar Of Events	23
Corporate Structure	24
Corporate Information	25
Human Resources	26
Social Responsibility	27
Financial Report	28



Be



SINCERE in all our intentions

TRANSPARENT in all that we do

ALERT to the needs of others

RESPONSIBLE in delivering

VISION

To be the leader in the field that we operate

MISSION STATEMENT

Provide our customers service quality, our employees job satisfaction and our shareholders return on their investments of a level which meets and surpasses their expectations



OUR NEW IDENTITY

The strong triangle forms a forward arrow, which represents the corporation reaching out to provide excellent services, as well as the innovations and advancements in design and technology.

The simplicity in the logo communicates clarity of focus. The combination of the elements signifies the Group in harmonious unity.

The supporting element, being the green triangle holding the main logo portrays the Group's vision to excel as it moves ahead into the future to explore new horizons.

A NOTE TO SHAREHOLDERS

Group profit after taxation improved by 309% over the previous year. This performance was underpinned by strong growth in revenues and productivity and an exceptional gain arising from the sale of our Marine Repair Services division.



This year marks a major milestone in the history of the Company. On 28 April 2003, we changed the name of the Company to MTQ Corporation Limited as part of our efforts to establish a regional brand for the Group.

Performance For The Year

For the financial year under review, I am happy to report that Group profit after taxation improved by 309% over the previous year. This performance was underpinned by strong growth in revenues and productivity and an exceptional gain arising from the sale of our Marine Repair Services division.

Both our Oilfield Engineering and Turbocharger divisions are undoubtedly market leaders in their respective fields. Despite having a quick start, our Subsea Robotics operations in Aberdeen, Scotland, which covered the North Sea markets, is now experiencing some teething problems associated with newly start-up operations. In addition, the unit's performance was affected by severe winter conditions in the North Sea and the unfortunate loss of a workclass ROV. Our insurance claim was rejected at first instance by our underwriters but we have engaged counsel to vigorously pursue this claim. We will spare no efforts in meeting these challenges placed before us.

The performance of our Turbocharger division was supported by a relatively strong Australian economy. In August 2002, the division acquired the operations of RM Diesel Pty Ltd, a well-established company engaged in fuel injection activities, and re-defined the division as "Engine Systems division". The new business is expected to create spin-off synergies for our Turbocharger business as both businesses cater to the engine systems segment. Although the Australian economy is expected to taper off in the new financial year, we are optimistic that the division will achieve further growth in the coming year. In the new financial year, the division has commenced incorporation of a subsidiary in Surabaya to cover the Indonesian market. This marks the division's first foray into Asia.

Recognising the strong relevance of its operations to our Oilfield Engineering division, we acquired a 22.9% interest in RCR Tomlinson Ltd ("RCR"),

A NOTE TO SHAREHOLDERS

a multi-disciplined engineering company listed on the Australian Stock Exchange, during the year. On 1 May 2003, we launched an on-market bid for all the RCR shares that we do not already own. As the offer will not expire until 16 June 2003, the outcome of the offer will not be known prior to the printing of this report.



We will continue to focus on our core engineering activities while actively exploring complementary acquisition opportunities to expand our business and enhance shareholder value.

Business Prospects

Originally, we were optimistic about next year's performance but this optimism must now be tempered by the downturn caused by the outbreak of SARS. Whilst it is too early for us to predict with certainty the full impact of the epidemic on our business, we can say for certain that our business will not be impervious from the fallout caused by it. We will continue to focus on our core engineering activities while actively exploring complementary acquisition opportunities to expand our business and enhance shareholder value.

Investor Relations

Taking a step forward in our continuing programme of improving communications, in particular communications with our shareholders, we are sending out semi-annual newsletters to keep shareholders better informed. These newsletters are meant to highlight our financial results and will contain updates and other relevant information. Shareholders may also obtain access to updated information of the Group through an investor portal that we have subscribed to. The address of the website is www.shareinvestor.com.

Dividend

To share the fruits of labour with our shareholders, the Company had declared an interim dividend of 4% less tax which was paid during the year. In addition, the directors are proposing a final dividend of 6% less tax to be approved by the shareholders in the forthcoming Annual General Meeting.

Acknowledgement

I wish to take this opportunity to thank my fellow Board members for their contributions during the year. On behalf of the Board, I would like to thank the management and staff of MTQ Group for their dedication and commitment to our vision of taking leadership in the various markets that we operate in. Finally, to all our customers, business associates and shareholders, we value your partnership in our quest for excellence.

Kuah Kok Kim
Chairman & CEO
23 May 2003

FINANCIAL REVIEW

- Financial Highlights
- Summary Of Financial Performance

Financial Highlights

	2003	2002	
For the year (in S\$'000)			
Revenue	48,030	42,412	
Profit before exceptional items	3,111	1,914	
Exceptional items	2,799	(221)	
Profit before taxation	5,910	1,693	
Profit after taxation	5,150	1,259	
Profit attributable to shareholders	5,385	1,481	
At year-end (in S\$'000)			
Net current assets	12,923	10,202	
Total assets	60,675	48,161	
Total liabilities	28,415	19,333	
Shareholders' funds	31,290	27,934	
Net tangible assets ¹	29,127	27,934	
For the year (in %)			
Revenue growth	13.25	(14.61)	
Net profit margin	12.30	3.99	
Return on shareholders' funds ²	18.89	6.06	
Per share data			
Gross dividend (in cents)	2.50	2.50	
Gross dividend yield ³ (in %)	6.41	8.33	
Basic earnings ⁴ (in cents)	6.80	1.87	
Net tangible assets ⁵ (in cents)	36.78	35.27	
Price at year-end (in cents)			
	39.00	30.00	

¹ Net tangible assets equals shareholders' funds less intangible assets.

² Return on shareholders' funds equals profit before taxation divided by shareholders' funds.

³ Gross dividend yield per share equals gross dividend divided by year-end market price.

⁴ Basic earnings per share equals profit attributable to shareholders divided by weighted average number of issued shares.

⁵ Net tangible assets per share equals net tangible assets divided by total number of issued shares.

Summary Of Financial Performance

Turnover

The Group generated a turnover of S\$48,030,000 for FY2003, exceeding the S\$42,412,000 attained in FY2002 by 13%. The improvement was largely driven by the increased revenue contributions from its existing operations, mitigated by the absence of revenue contributions from the Marine Repair Services division divested since May 2002.

Profit

During FY2003, the Group achieved net profit before taxation of S\$5,910,000, equivalent to 3.49 times of the S\$1,693,000 achieved in FY2002. After deducting taxation and minority interests, the Group's FY2003 net profit attributable to shareholders was S\$5,385,000, which compares favourably against the S\$1,481,000 attained in FY2002. The higher FY2003 profit included an exceptional gain of S\$2,799,000 arising from sale of the Marine Repair Services division, which was offset by a provision for diminution in value of an investment. In the absence of the exceptional item, the Group's FY2003 profit before tax was S\$3,111,000, which was 63% higher than that of FY2002.

The improved Group's FY2003 result was achieved without any further losses sustained in the Marine Repair Services operations. Positive exchange movements also added on to the overall improvement.

Earnings Per Share (EPS)

The basic and diluted EPS for FY2003 was 6.80 cents and 6.78 cents respectively,

	S\$'000	%
<i>Revenue</i>		
2003	48,030	
2002	42,412	
<i>Profit attributable to shareholders</i>		
2003	5,385	
2002	1,481	
<i>Net current assets</i>		
2003	12,923	
2002	10,202	
<i>Revenue growth</i>		
2003		13.25
2002		(14.61)
<i>Net profit margin</i>		
2003		12.30
2002		3.99

which were about 3.6 times those of FY2002. The higher EPS was the result of substantially stronger profit after tax for FY2003.

Dividend

The Board is recommending a final dividend of 6% less tax at 22%, to be paid for FY2003. Together with the interim dividend of 4% less tax at 22%, which was paid in November 2002, the total dividend for FY2003 is 10% (FY2002:10%).

Cash Flows

For FY2003, the Group generated cash flows of S\$3,666,000 from its operating activities, S\$1,548,000 lower than S\$5,214,000 generated in FY2002. The reduction in net cash generated from operations resulted mainly from less favourable movements in working capital arising from higher receivable balances.

Unlike FY2002 which saw S\$855,000 net cash provided by investing activities, the Group had, during FY2003, used up S\$7,417,000 of net cash in investing activities. The Group spent S\$16,011,000 on the acquisition of business assets of RM Diesel Pty Ltd and Turbo Torque Pty Ltd; the purchase of a 19.9% stake in RCR Tomlinson Ltd; the continuing build program undertaken by the Subsea Robotics division; and the purchase of new plant and equipment. There was neither any investment in new businesses nor any purchase of equity investments during FY2002. The cash outlay was mitigated by the S\$7,798,000 proceeds arising from sale of business assets in respect of the divestiture of the Group's Marine Repair Services division; S\$542,000 proceeds from sale of other fixed assets; as well as S\$300,000 capital contribution from the minority interest.

FINANCIAL REVIEW

- Quarterly Results
- Summary Of Financial Performance (Cont'd)

Quarterly Results

	Q1 S\$'000	Q2 S\$'000
Revenue		
2003	10,270	12,943
2002	10,696	10,596
Profit/(loss) before exceptional items		
2003	621	836
2002	(118)	933
Exceptional items		
2003	2,799	-
2002	(268)	51
Profit/(loss) before taxation		
2003	3,420	836
2002	(386)	984
Profit/(loss) after taxation		
2003	3,272	749
2002	(663)	819
Profit/(loss) attributable to shareholders		
2003	3,276	560
2002	(605)	840
Earnings per share* (in cents)		
2003	4.14	0.71
2002	(0.77)	1.06

* Earning per share equals profit/(loss) attributable to shareholders divided by weighted average number of issued shares.

The Group's net cash generated from financing activities rose S\$5,277,000, or 413%, from S\$1,278,000 in FY2002 to S\$6,555,000 in FY2003. The increase was mainly attributable to S\$8,216,000 of new bank loans received less loan repayment, offset by a dividend of S\$2,162,000 which was paid out to shareholders during FY2003. In comparison, proceeds from new borrowings less repayment during FY2002 was only S\$2,205,000, which was offset by a S\$747,000 dividend payout.

Consequently, the net cash inflow for FY2003 was S\$2,804,000, compared to a net cash inflow of S\$7,347,000 in FY2002. As at 31 March 2003, the Group's cash and cash equivalents stood at S\$10,685,000, 36% higher than that as at 31 March 2002.

Balance Sheet

Total assets, excluding goodwill and bank balances, increased by 19% from S\$40,280,000 as at 31 March 2002 to S\$47,827,000 as at 31 March 2003. The increase is contributed mainly by the higher receivable balances, investment in new businesses, purchase of a 19.9% stake in RCR Tomlinson Ltd, as well as a net increase in plant and equipment.

Total liabilities excluding borrowings was S\$12,160,000 as at 31 March 2003, closely comparable to the S\$12,178,000 as at 31 March 2002.

Shareholders' funds increased by S\$3,356,000, or 12%, from S\$27,934,000 as at 31 March 2002 to S\$31,290,000 as at 31 March 2003. The increase was due to higher profits for FY2003, offset by dividends declared and paid to shareholders.

FINANCIAL REVIEW

	Q3 S\$'000		Q4 S\$'000		Total S\$'000	
	12,063 11,363		12,754 9,757		48,030 42,412	
	876 652		778 447		3,111 1,914	
	- (4)		- -		2,799 (221)	
	876 648		778 447		5,910 1,693	
	716 578		413 525		5,150 1,259	
	778 624		771 622		5,385 1,481	
	0.98 0.79		0.97 0.79		6.80 1.87	

Value Added

The total value added of the Group for FY2003 was S\$23,844,000, an increase of S\$4,537,000 (23%) from FY2002. Correspondingly, value added per employee improved 28% to S\$104,000.

Risk Management**Operational Risk**

The Group presently operates 3 core businesses in 3 different geographical regions, namely Singapore, Australia and United Kingdom.

Its Oilfield Engineering division essentially provides repair servicing and reconditioning of oilfield equipment in South East Asia. Demand for its services is highly susceptible to the volatility of the oil and gas exploration, development and production activities. Any protracted downturn in oil and gas prices could depress the level of oil and gas exploration, development and production activities, which will likely dampen the demand for oilfield engineering services and may place undue pressure on the division's pricing and profit margin. The division managed this risk through constantly seeking out to establish more business alliances with Original Equipment Manufacturers (OEMs), striving to become their preferred authorised agent for oilfield repair services. It has also been the division's ongoing effort to seek new cost-effective measures to enhance its production efficiency and to gear up its engineering capabilities for more value added contracts. In order to develop a stronger foothold within the South East Asian market, the division will seriously contemplate any opportunity that allows it to expand its base of operations.

FINANCIAL REVIEW

- Five Years Financial Profile
- Summary Of Financial Performance (Cont'd)

Five Years Financial Profile

	2003	2002	2001	2000	1999
For the year (in S\$'000)					
Revenue	48,030	42,412	49,670	37,267	49,266
Profit/(loss) before exceptional items	3,111	1,914	799	(2,888)	2,473
Exceptional items	2,799	(221)	1,481	(5,311)	(207)
Profit/(loss) before taxation	5,910	1,693	2,280	(8,199)	2,266
Profit/(loss) after taxation	5,150	1,259	1,862	(7,879)	1,646
Profit/(loss) attributable to shareholders	5,385	1,481	1,949	(7,879)	1,565
At year-end (in S\$'000)					
Net current assets	12,923	10,202	12,355	11,273	21,384
Total assets	60,675	48,161	45,926	43,363	50,352
Total liabilities	28,415	19,333	18,454	18,134	11,172
Shareholders' funds	31,290	27,934	27,163	25,229	39,152
Net tangible assets ¹	29,127	27,934	27,163	25,229	39,152
For the year (in %)					
Revenue growth	13.25	(14.61)	33.28	(24.36)	(17.00)
Net profit margin	12.30	3.99	4.59	(22.00)	4.60
Return on shareholders' funds ²	18.89	6.06	8.39	(32.50)	5.79
Per share data					
Gross dividend (in cents)	2.50	2.50	1.25	-	2.50
Gross dividend yield ³ (in %)	6.41	8.33	3.13	-	5.00
Basic earnings ⁴ (in cents)	6.80	1.87	2.46	(9.95)	2.14
Net tangible assets ⁵ (in cents)	36.78	35.27	34.30	31.85	53.49
Price at year-end (in cents)	39.00	30.00	40.00	50.00	50.00

1 Net tangible assets equals shareholders' funds less intangible assets.

2 Return on shareholders' funds equals profit before taxation divided by shareholders' funds.

3 Gross dividend yield per share equals gross dividend divided by year-end market price.

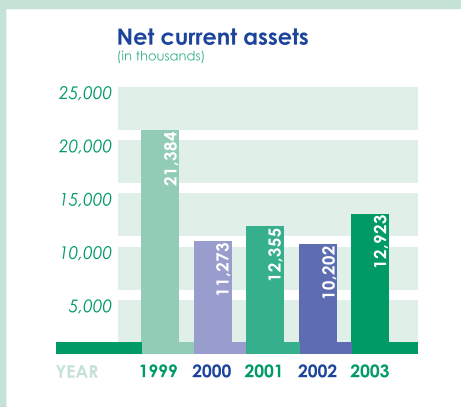
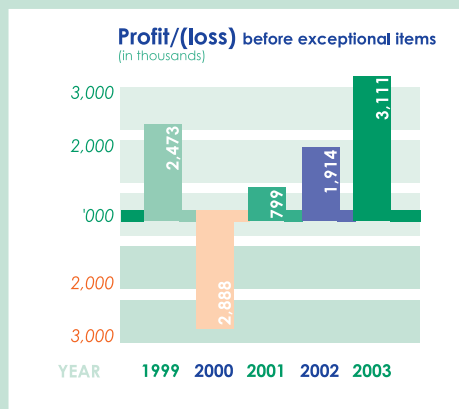
4 Basic earnings per share equals profit attributable to shareholders divided by weighted average number of issued shares.

5 Net tangible assets per share equals net tangible assets divided by total number of issued shares.

The performance of the Engine Systems division hinges significantly on large frame and small frame turbocharger sales in Australia. Large frame turbocharger sales are largely high-value contracts procured in the marine industry, and are dependent on the indeterminable frequency of marine repair needs. The division addresses this risk by moving towards offering large frame turbocharger servicing in non-marine industries, notably the power generation and locomotive industries. Tapping on its market leadership as Australia's largest independent turbocharger sales and service company, the division looks forward to growing laterally by acquiring new related businesses such as fuel injection parts distribution to further enhance its position as a one-stop engine systems parts and servicing center. While benefiting currently from the encouraging turbocharger market in Australia, the division is simultaneously exploring opportunities to diversify its operations geographically. To this end, it has begun replicating its turbocharger and fuel injection businesses in South East Asia in early part of the new financial year.

The Subsea Robotics division mainly serves customers who are in the oil and gas industry. As substantial part of its operations is in the North Sea region, adverse seasonal variations in the North Sea can have acute business impact on its operations. With its enlarged 7-vehicle fleet of varied undersea capabilities, the division is better poised to penetrate new markets such as West Africa and Asia Pacific, thereby reducing its reliance on the North Sea Market.

FINANCIAL REVIEW



The Group expects all its three core operations to further strengthen their existing activities and benefit from progressive diversification of the individual operations – in terms of both product/service range and customer base.

Investment Risk

The Group seeks growth in its businesses chiefly through organic growth of its existing capabilities and capacities, as well as the acquisition of complementary businesses.

Investment activities, ranging from identification of targets to the conduct of due diligence exercise, are supported by a dedicated team of investment professionals and augmented by external professionals for specialised services. The business proposals are guided by a given set of internal investment criteria, evaluated by senior management and endorsed by an Investment Committee before seeking final Board approval.

Financial Risk

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks.

The Group's financial risk management objectives and policies are further discussed in Note 29 to the financial statements.

FINANCIAL REVIEW • Group Value Added Statement

Value Added	2003 S\$'000	2002 S\$'000
Revenue	48,030	42,412
Bought-in materials and services	(24,138)	(18,891)
Gross value added	23,892	23,521
Other revenue	772	497
Investment income	46	-
Exchange gain/(loss), net	691	55
Other operating expenses	(1,557)	(4,766)
Total Value Added	23,844	19,307
Distribution		
To employees		
Wages, provident fund contributions & other benefits	14,585	16,072
	14,585	16,072
To providers of capital		
Interest on bank borrowings	633	357
Dividends to shareholders	2,162	747
	2,795	1,104
To government		
Income taxes and levies	814	491
	814	491
Retained in the business		
Depreciation of Property, plant & equipment	2,860	2,134
Impairment of property, plant & equipment	-	170
Amortisation of goodwill	69	-
Staff costs capitalised as assets under construction	(986)	(1,400)
Retained earnings	2,486	679
Minority interests	(235)	(222)
	4,194	1,361
Non-production costs and income		
Bad debts written off	15	69
Provision for doubtful debts	19	155
Exchange gain	691	55
Investment income	46	-
Provision for diminution in value of investment	685	-
	1,456	279
Total Distribution	23,844	19,307
Productivity Analysis		
Value added per employee (S\$'000)	104	81
Value added per dollar of employment costs (S\$)	1.64	1.46
Value added per dollar investment in fixed assets (S\$)	0.50	0.52
Value added per dollar sales (S\$)	0.50	0.55

FINANCIAL CALENDAR

Announcement of FY2002 results	3 May 2002
Release of Annual Report 2002 to shareholders	13 June 2002
33rd Annual General Meeting	5 July 2002
Payment of first and final dividend of 5% less tax and special dividend of 5% less tax in respect of FY2002	24 July 2002
Announcement of first quarter FY2003 results	30 July 2002
Announcement of half year FY2003 results	30 October 2002
Analyst briefing on half year FY2003 results	30 October 2002
Payment of interim dividend of 4% less tax in respect of FY2003	29 November 2002
Announcement of third quarter FY2003 results	27 January 2003
Announcement of FY2003 results	30 April 2003
Release of Annual Report 2003 to shareholders	4 June 2003
34th Annual General Meeting	20 June 2003
Payment of final dividend of 6% less tax in respect of FY2003*	10 July 2003

* Subject to shareholders' approval at the forthcoming Annual General Meeting

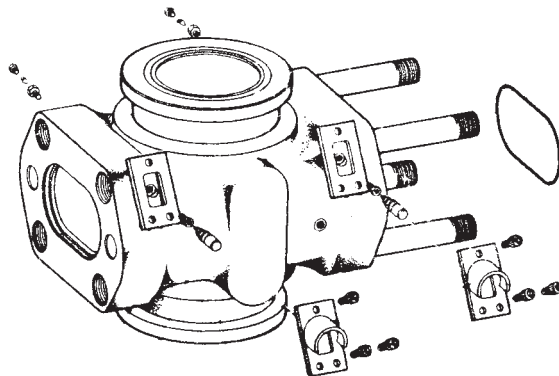


Oilfield Engineering Division

Provides engineering services to the oil and gas drilling industry, primarily in the reconditioning of Blowout Preventers (BOP), drilling equipment, valves and manifolds etc.

A BOP provides quick, positive closing action with simplified controls to keep drilling fluids in the hole when a blowout threatens.

BOPs are very important to the drilling of oil wells, especially those offshore, where blowouts can pollute the sea, damage extremely expensive equipment, and worst of all, threaten human life.



OILFIELD ENGINEERING DIVISION



Financial year 2003 was a challenging year for the Oilfield Engineering division.

The oil and gas drilling industry continued to see favourable demand for upgrading and repair jobs on rig equipment as global drilling remained close to previous year levels, although the war in Iraq had raised some anxiety with some operators adopting a conservative stand towards the last quarter of the financial year.

Closer home in our traditional South East Asian marketplace, there was an evident increase in competition as contractors were lured by the healthy margins and a buoyant industry outlook, particularly in Indonesia.

Notwithstanding this, we were able to maintain our market leadership through constant emphasis on quality service, timely delivery as well as operational efficiency. For the financial year ended 31 March 2003, the division achieved a revenue growth of 33% from S\$12,251,000 in FY2002 to S\$16,305,000 in FY2003.

During the year, the division secured new strategic business alliances with Original Equipment Manufacturers (OEMs), and successfully completed more repair jobs for them. We are now also the authorised OEM workshop representing OEMs such as Cooper Cameron, Varco-Shaffer and Hydril.

We were also invited by listed Indonesian drilling contractor PT Apexindo Pratama Duta Tbk to participate in providing drilling equipment and services for their newly built submersible drilling barge "Raissa" as well as the upgrading of their drilling barges "Maera" and "Yani" in Keppel FELS shipyard. The "Raissa" project, managed by Keppel FELS, involved a S\$29million construction of a posted submersible drilling barge capable of oil and gas exploration in water depth up to 7.62m and drilling depth of 7,600m.



We were able to maintain our market leadership through constant emphasis on quality service, timely delivery as well as operational efficiency.

On the production front, we remain committed to providing quality services and products despite the increase in work volumes. Besides having accreditation to the American Petroleum Institute Standards 6A and 16A as well as ISO 9001-2000, a productivity committee was set up to review and initiate improvements to various work processes. Essential measures have also been taken to improve our repair procedures, notably the changing of our welding process from manual to semi-auto.

The division also completed its equipment renewal and upgrading programme during the year. The machine shop capacity was enhanced with the addition of 2 new boring machines, 1 vertical boring machine capable of a 30 tonne load as well as 1 heavy duty horizontal boring machine with a table load of 25 tonne and full CNC capabilities.

Industry outlook for the oil and gas sector remains strong in the year ahead. Mounting competition in the regional oilfield repair sector is, however, unlikely to ease in the year ahead and will continue to exert an incessant pressure on job margins.

Notwithstanding this, we strive to remain as the preferred authorised agent for oilfield engineering services through forging closer business relationships with OEMs, drilling contractors and rig owners.

We will continue to seek new cost-effective ways to enhance production efficiency to protect our job margins. We will also be providing more value added services to our customers through servicing a wider range of oilfield equipment. Active efforts will also go into seeking expansion opportunities in the region.



Engine Systems Division

Distributes turbocharger and fuel injection parts and provides turbocharger services.

A turbocharger is a high precision 'air pump' designed to tap on the wasted energy in the engine exhaust. It increases engine power output and torque, lowers fuel consumption, reduces harmful engine emission and cuts down engine noise and vibration.

ENGINE SYSTEMS DIVISION



Financial year 2003 saw the Engine Systems division maintaining its leadership position as Australia's largest independent turbocharger sales and service company.

The division garnered a 44% increase in total sales above that of previous year. Total sales climbed from \$16,073,000 in FY2002 to \$23,218,000 in FY2003, underpinned by a healthy Australian economy and new acquisitions during the year.

The division achieved growth on all product lines, including small frame turbochargers commonly found on trucks, earth moving equipment, agricultural machinery and small marine vessels; large frame turbochargers used in marine and other land-based industries such as the power generation industry; and turbocharger kits for diesel four-wheel drive vehicles.

The wide industry base serviced by the division effectively cushioned the impact of the severe drought which had a significant adverse impact on the agricultural sector.



...we successfully entered the fuel injection spare parts business with the acquisition of the business of RM Diesel Pty Ltd

In August 2002, we successfully entered the fuel injection spare parts business with the acquisition of the business of RM Diesel Pty Ltd, a distributor of fuel injection spare parts operating in Sydney and Brisbane. Leveraging on our nationwide network of 10 branches, we have now expanded the fuel injection business to both our Melbourne and Perth branches, with further integration of the business into other branches in the pipeline. We expect to make significant inroads into the Melbourne and Perth markets this year.

We also acquired the business of Turbo Torque Pty Ltd, a Brisbane-based turbocharger sales and service outfit to further complement our existing operations in late FY2003.

During FY 2003, two of the division's biggest branches in Sydney and Melbourne were relocated. The new premises greatly improved the company's image, provided far better working conditions for employees and offer room for future expansion. The fuel injection operations in Sydney were also relocated into the new premise.

Moving into the new year, the division will be making good progress to strengthen its market position.

In general, we believe that the outlook for this year is good. We will continue to review potential acquisitions that will complement the existing business and opportunities for further expansion in the fuel injection repairs market. The division will also continue to monitor its operating costs on an ongoing basis with a view to further enhance its contribution.



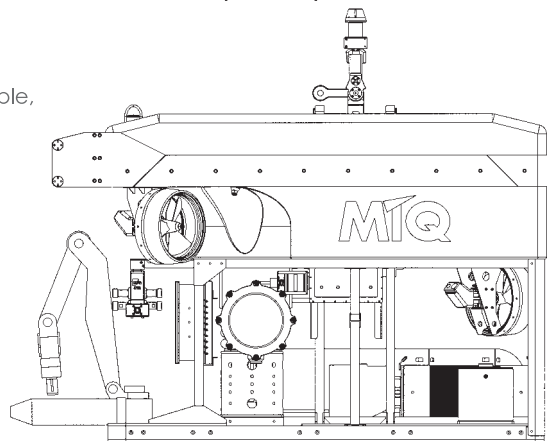
Subsea Robotics Division

Specialises in designing, building and operation of several classes of Remotely Operated Vehicles (ROVs) and their peripherals.

A ROV operates solely as an unmanned submersible, with commands initiated remotely by a surface operator or controller.

An umbilical cable connects the ROV to the surface control cabin, enabling video and data transfer and giving full control of the ROV to the surface operator or controller.

It can perform work at a greater ocean depth where human divers cannot reach.



SUBSEA ROBOTICS DIVISION



The Subsea Robotics division enjoyed maiden contribution generated from new additions to its fleet in the financial year under review, following the successful completion of the second phase of its build programme.

The division now possesses a fleet of 7 ROVs of varying range and technical capabilities, designed and supported by its highly proficient engineering team. This strategy, adopted by the division to enlarge its service range, worked well for the division, allowing it to cater to both observation as well as deep-sea drilling/construction support requirements of major oil exploration companies and drilling contractors.

Performance of the division in FY2003 was, however, affected when the North Sea market experienced an unusually severe winter in the second half-year. Trading conditions generally remained soft through the last quarter of the year with major clients adopting a "wait and see" attitude in the wake of the Iraqi war.

In addition, the division suffered a setback with the loss of a Phoenix ROV unit during a subsea operation. While the vehicle is fully insured, the division has since been notified by its insurers that they are disputing the claim. The management intends to pursue the claim vigorously and this will be one of the major challenges for the division in the current year.

The North Sea region, which holds Europe's largest oil and natural gas reserves, was chosen as the launch pad to kick start our subsea operations. We succeeded in demonstrating the superior engineering capability of our fleet in the most demanding working conditions of the North Sea market within a reasonably short time and have secured service contracts with various reputable subsea contractors. Going forward, we intend to expand our focus on the Asian market, to balance the existing reliance on the North Sea market which is susceptible to harsh weather conditions and where operational duration of subsea activities are restrained.



We have confidence that the technical expertise of our engineering team will continue to put us in the forefront of this pursuit.

The division's plans to expand into Asia took off with the introduction of its Swift-range ROVs with capabilities geared for the Asian waters. To-date, we have received positive feedback on the capabilities and stable functionality of our Swift ROVs.

Being in an industry characterised by rapid technological advancement also spelt the need for the division to continuously upgrade its in-house engineering research and expertise. We have confidence that the technical expertise of our engineering team will continue to put us in the forefront of this pursuit.

BOARD OF DIRECTORS



Kuah Kok Kim Chairman and CEO

Mr Kuah joined the Board of MTQ Corporation Limited ("MTQ") on 1 January 1997 and was appointed as Executive Chairman on 9 September 1997, re-designated as Chairman & CEO on 2 May 2002. He serves on the Board of all subsidiaries of MTQ.

He is also a Director of RCR Tomlinson Limited, a leader in Western Australia in multi-disciplined engineering listed on the Australian Stock Exchange.

Mr Kuah possesses extensive business experience which was accumulated through his many years of involvement in the marine logistics as well as oil and gas related industries. Mr Kuah was also engaged in the machine distribution and repairs business before joining MTQ.

Philip Eng Heng Nee Director

Mr Eng joined the Board on 9 September 1997. He is appointed Chairman of its Remuneration Committee on 22 September 1997 and also serves on the Audit Committee.

Mr Eng is the Group Managing Director of Cycle & Carriage Limited where he has served in various positions since 1982. He is also a Director of MCL Land, Cycle & Carriage Bintang Bhd and is on the Board of Commissioners of PT Astra International. He is Singapore's High Commissioner to Nigeria, resident in Singapore.

Mr Eng graduated from the University of New South Wales with a Bachelor in Commerce (Accountancy) and is qualified as a Chartered Accountant of the Institute of Chartered Accountants of Australia.



Huang Yuan Chiang Director

Mr Huang joined the Board on 8 August 2001. He is a member of the Audit and Remuneration Committees. He is also a Director of MTQ Subsea Technology Pte Ltd, a subsidiary of MTQ.

Mr Huang has over 12 years of experience in the banking industry where his career brought him to Bankers Trust Company, Singapore Branch in which he served as a Managing Director from 1996 to 1999. He sits on the boards of several other companies including CityAxis Holdings Pte Ltd, BBR Holdings (S) Limited, Jurong Cement Limited and Broadway Industrial Group Limited. He is also a Governor on the board of the United World College of South East Asia.

Mr Huang has degrees in Law and Economics.



BOARD OF DIRECTORS

Ong Choo Eng Director

Mr Ong Choo Eng joined the Board since 9 September 1997 and is a member on both the Audit and Remuneration Committees.

Mr Ong is currently the Chairman and Group Managing Director of Hwa Hong Corporation Limited. He also sits on the boards of the Singapore Reinsurance Corporation Limited and BBR Holdings (S) Limited.

Mr Ong graduated with a Bachelor of Science (Honours) degree in Civil Engineering and a Master of Science degree in Advanced Structural Engineering from Queen Mary College, University of London. He was elected a Fellow of Queen Mary College and Westfield College, University of London in 1990. Mr Ong is a Chartered Civil Engineer, UK and a Registered Professional Engineer, Singapore.



Samuel Bernard Sassoon Director

Mr Samuel Bernard Sassoon joined the Board on 8 August 2001. He is also the Managing Director and one of the founders of MTQ Subsea Technology Pte Ltd.

Mr Sassoon has 15 years of experience in Remotely Operated Vehicles businesses. He holds memberships at the Chartered Management Institute (UK) and the Institute of Industrial Engineers.

A Bachelor of Social Sciences (Economics) graduate from the National University of Singapore, Mr Sassoon also holds a Master of Arts (Management) Degree from the University of Leeds.



Ian Wayne Spence Director

Mr Spence joined the Board on 15 January 2002. He is Chairman of the Audit Committee, and a member of the Remuneration Committee. He is also a Director of both MTQ Subsea Technology Pte Ltd and RCR Tomlinson Limited.

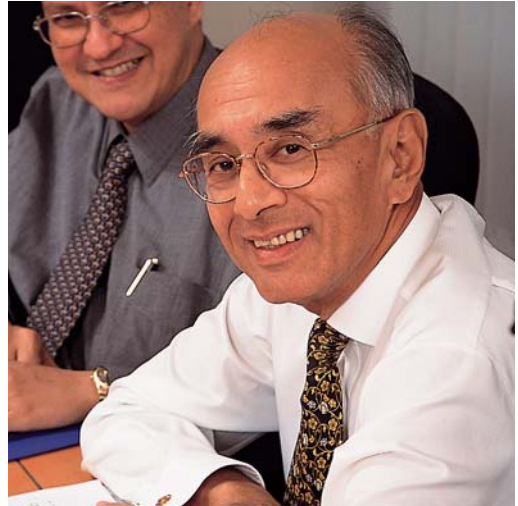
Mr Spence, a Singapore permanent resident, also sits on the boards of Eu Yan Sang International Ltd and 5 other privately owned groups of companies in South East Asia.

He graduated from Otago University in New Zealand with a Commerce degree and is qualified as a Chartered Accountant.



SENIOR MANAGEMENT

Kuah Kok Kim
Chairman & CEO



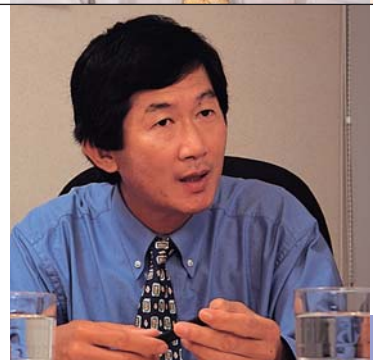
William Fong Choon Seng
Group Financial Controller

Mr William Fong, CPA, joined the Group in 1998 as a Group Finance Manager. He was appointed Company Secretary in 1999 and was promoted to Group Financial Controller in 2000. He is overall responsible for financial and accounting controls, investor relations, management information systems and corporate secretarial functions of the Group. Mr Fong has about 14 years of financial control and audit experience. Graduated from The Association of Chartered Certified Accountants (ACCA), he is currently a member of the Institute of Certified Public Accountants of Singapore as well as a fellow member of ACCA.



Peter Lock
Managing Director

Mr Peter Lock joined the Group as a welding engineer in 1982 and was responsible for spearheading the Group's expansion into the oilfield engineering business. Over the 20 years in MTQ, he was responsible for building up the oilfield engineering business to its present size and performance, through the implementation of an aggressive marketing policy of pursuing strategic alliance with OEMs and stringent emphasis on work efficiency and quality. He was promoted to General Manager of MTQ Engineering Pte Ltd, a wholly-owned subsidiary, in 2001 and contributed to the smooth transfer of the oilfield engineering business to the subsidiary and its continuous development. In May 2003, he was promoted to Managing Director of the subsidiary.



Richard William Ward
CEO

As a trained tradesperson in automotive engineering and diesel engineering, together with extensive managerial experience, Mr Richard William Ward joined MTQ Engine Systems (Aust) Pty Ltd as a State Manager of its Sydney operations in 1989 and was promoted as the General Manager in 1991. During this time, he played a significant role in transforming the five branches into its position today as a leading independent supplier of turbocharger and services with a nationwide network of 10 branches. After the acquisition of the business by MTQ Corporation Limited in 1999, the Group retained his services as CEO of MTQ Engine Systems (Aust) Pty Ltd. He was also responsible for the successful acquisition of the business of RM Diesel Pty Ltd which provided a platform for the expansion of the turbocharger unit into the complementary fuel injection business.



Samuel Bernard Sassoon
Managing Director



SENIOR MANAGEMENT

CORPORATE OFFICE

Tel : (65) 6 777 7651

Fax : (65) 6 777 6433



Shirley Ong
MIS Manager



Tiffany Yap
Human Resource &
Admin Manager

OILFIELD ENGINEERING DIVISION

Tel : (65) 6 774 9395

Fax : (65) 6 779 4092



Teo Choon Kian
Sales Manager



Lai Chee Keong
Workshop Manager



Alfred Teo
Senior Manager

ENGINE SYSTEMS DIVISION

Tel : (61) 07 3274 3755

Fax : (61) 07 3274 4514



Steve King
General Manager



Garry Swainson
Operations Manager

SUBSEA ROBOTICS DIVISION

Tel : (65) 6 872 8966

Fax : (65) 6 775 9928



Alan Nicol
Operation &
Marketing Director



John Clarke
Engineering Director

BUILDING INVESTOR RELATIONS

Commitment To Shareholders


As a public-listed company, the Group is mindful of its responsibilities to its shareholders as well as the general investing public, which include both Singapore and overseas investors.

The Group strives to convey to shareholders, investors as well as analysts, timely and accurate information, ensuring that they are updated on the development and performance of the Group. In FY2002, the Group announced its full year financial results on 3 May 2002, well within the mandatory period of 90 days. This year, the Group delivered its financial year results on 30 April 2003, within one month of its financial year-end. In addition, annual reports for FY2002 and FY2003 were released to shareholders within 75 and 65 days respectively.

Further demonstrating our commitment in this aspect, the Group commenced quarterly reporting of results with effect from June 2002 (1Q FY2003), one year ahead of the mandatory deadline applicable to the Group.

Despite SGX-ST's waiver of the mandatory quarterly reporting for listed companies with market capitalisation of S\$75 million and below, based on their 31 March 2003 market capitalisation data published by SGX-ST, the Group has decided and will continue with quarterly reporting.

Despite SGX-ST's waiver of the mandatory quarterly reporting for listed companies with market capitalisation of S\$75 million and below, based on their 31 March 2003 market capitalisation data published by SGX-ST, the Group has decided and will continue with quarterly reporting.



Communicating With Our Shareholders

All information and new initiatives of the Group are disseminated via MASNET and updated on our corporate website at www.mtq.com.sg, including our annual reports and latest press releases.

This allows overseas shareholders to access such information at the same time as Singapore shareholders. Furthermore, the Group's listing on the investor portal, www.shareinvestor.com also provides shareholders and potential investors with one-stop information on the Group's financial information as well as business activities.

The semi-annual newsletters provide an additional channel for communication with our shareholders on the Group's development. Such information is also simultaneously posted on the Group's website.

Moving Ahead

In the year to come, the Group will strive to uphold timeliness and provide greater transparency in its interaction with shareholders.

CALENDAR OF EVENTS

<p>Launch of Total Human Resource Management System towards achieving certification for People Developer status</p>	<p>6 May 2002</p>																									
<p>Successful completion of the divestment of Marine Repair Services division</p>	<p>20 May 2002</p>																									
<p>Secured initial shareholding of 19.9% in RCR Tomlinson Limited ("RCR"), a multi-disciplined engineering company listed on the Australian Stock Exchange</p>	<p>18 June 2002</p>																									
<p>Expansion into the complementary fuel injection business with the acquisition of the business of RM Diesel Pty Ltd</p>	<p>1 August 2002</p>																									
<p>A step forward in our investor relations with the 1st issue of our semi-annual newsletter</p>	<p>31 October 2002</p>																									
<p>Acquisition of business assets of Turbo Torque Pty Ltd, a Brisbane-based turbocharger sales and service outfit</p>	<p>6 November 2002</p>	 <p>MTQ</p> <p>Message from the Chairman and CEO</p> <p>The Group is in very good shape!</p> <p>After a very busy year, the Group has achieved a number of milestones. All areas including operations, sales, marketing, finance and HR have made significant contributions to the overall success of the Group. The Group is in very good shape!</p> <p>The Group has a strong track record of delivering quality products and services to our customers. Our focus is on providing the highest quality products and services to our customers. Our focus is on providing the highest quality products and services to our customers.</p> <p>Thank you for your continued support and loyalty. We look forward to continuing our partnership with you in the future.</p> <p>Kind regards, Chairman and CEO</p>																								
<p>Commissioned our Swift-range of ROVs ear-marked for the Asian Market</p>	<p>29 November 2002</p>	 <p>etalock</p> <p>Financial Data</p> <table border="1"> <thead> <tr> <th></th> <th>2002</th> <th>2001</th> <th>% Change</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>1,215</td> <td>1,115</td> <td>9.0</td> </tr> <tr> <td>Operating Profit</td> <td>185</td> <td>175</td> <td>5.7</td> </tr> <tr> <td>Net Profit</td> <td>145</td> <td>135</td> <td>7.4</td> </tr> <tr> <td>Dividend</td> <td>45</td> <td>45</td> <td>0.0</td> </tr> <tr> <td>EPS</td> <td>0.145</td> <td>0.135</td> <td>7.4</td> </tr> </tbody> </table>		2002	2001	% Change	Revenue	1,215	1,115	9.0	Operating Profit	185	175	5.7	Net Profit	145	135	7.4	Dividend	45	45	0.0	EPS	0.145	0.135	7.4
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EPS	0.145	0.135	7.4																							
<p>Extended our interest in RCR with an additional 3% shareholding</p>	<p>1 April 2003</p>	 <p>MTQ</p>																								
<p>Metalock (Singapore) Limited embraces a new corporate identity with its new name, MTQ Corporation Limited</p>	<p>28 April 2003</p>	 <p>MTQ Corporation Limited MTQ Engineering Pte Ltd MTQ Subsea Technology Pte Ltd</p> <p>SINGAPORE</p> <p>AUSTRALIA MTQ Engine Systems (Aust) Pty Ltd</p>																								
<p>Recognising the strong synergies between our activities and those of RCR, the Group announced an on-market bid for RCR</p>	<p>1 May 2003</p>																									

CORPORATE STRUCTURE



MTQ Corporation Limited
(formerly known as
Metalock (Singapore) Limited)

MTQ
100.00%
MTQ Engineering Pte Ltd

MTQ
100.00%
MTQ Engine Systems
(Aust) Pty Ltd
(formerly known as Dynamic Turbocharger
Services (Australia) Pty Ltd)

100.00%
Dynamic Turbocharger
Services (Australia) Pty Ltd
22.9%
RCR Tomlinson Limited

MTQ
72.73%
MTQ Subsea
Technology Pte Ltd

MTQ
100.00%
MTQ Subsea Limited

MTQ
100.00%
MTQ Services Pte. Ltd.
(formerly known as Aqua-Terra
Supply Company Private Limited)

MTQ
100.00%
MTQ Holdings Pty Ltd

100.00%
Metalock Oilfield
Services Pte Ltd

100.00%
Metalock Engineering Pte Ltd

99.875%
Metalock Castings Sdn Bhd

21.00%
OmixAsia.com Pte Ltd

CORPORATE INFORMATION

Board of Directors	Kuah Kok Kim Chairman and CEO First appointed on: 01.01.1997 Re-elected on: 09.09.1997	Ong Choo Eng Director First appointed on: 09.09.1997 Re-elected on: 08.08.2000
	Philip Eng Heng Nee Director First appointed on: 09.09.1997 Re-elected on: 05.07.2002	Samuel Bernard Sassoon Director First appointed on: 08.08.2001 Re-elected on: 05.07.2002
	Huang Yuan Chiang Director First appointed on: 08.08.2001 Re-elected on: 05.07.2002	Ian Wayne Spence Director First appointed on: 15.01.2002 Re-elected on: 05.07.2002
Audit Committee	Ian Wayne Spence Chairman	Huang Yuan Chiang
	Philip Eng Heng Nee	Ong Choo Eng
Remuneration Committee	Philip Eng Heng Nee Chairman	Ong Choo Eng
	Ian Wayne Spence	Huang Yuan Chiang
Allotment Committee	Kuah Kok Kim Samuel Bernard Sassoon	
Investment Committee	Kuah Kok Kim Chairman Ian Wayne Spence Ong Choo Eng	
Joint Company Secretaries	Fong Choon Seng Loh Shu Chun	
Registered Office	182 Pandan Loop Singapore 128373 Telephone: 6 777 7651 Facsimile: 6 777 6433 www.mtq.com.sg	
Auditor	Ernst & Young Certified Public Accountants Singapore 10 Collyer Quay #21-01, Ocean Building Singapore 049315 Partner-in-charge: Ee Hock Kim, Gerard First appointed on: 05.07.2002	
Registrar	B.A.C.S Private Limited 63 Cantonment Road Singapore 089758 Telephone: 6 323 6200 Facsimile: 6 323 6994 bacs@pacific.net.sg	
Principal Bankers	Oversea-Chinese Banking Corporation Limited United Overseas Bank Limited	

HUMAN RESOURCES

Human Capital, Our Most Valuable Resources

At MTQ, we value people as our greatest asset, recognising it is through people that a company progresses and achieves breakthroughs.

Our commitment to the in-house community begins right from recruitment. Each recruitment process sets out to identify individuals with the right attributes for the position hired and who must also be able to fit in our corporate culture and uphold our core values, STAR, representing Sincerity, Transparency, Alertness and Responsibility.

MTQ believes in investing in its human capital. We are now embarking on the quest to achieve People Developer (PD) status. We believe that the systems required to attain PD status will put us in good stead for a systematic and goal-oriented human resource development. Above all, our employees will benefit most from a working environment where there is greater clarity in job descriptions and requisite core competencies.

The Group will remain steadfast on its centripetal human resource philosophy of providing an environment of trust, confidence and performance excellence



In this increasingly challenging business environment, the importance of striving to do our work better and faster cannot be over-emphasised. In the Group, this has taken on the form of a productivity drive, where a productivity committee comprising employees from both the management and workshop undertakes the responsibility to raise awareness, educate and provide an avenue where improvement processes can be initiated by the staff and adopted at the work-place. High priority is also placed on upgrading the skills and competencies of our employees so that they can transfer the knowledge back into their jobs. A mutually beneficial approach, the Company will always be assured of having a well-trained workforce with up-to-date skills.

Recent revisions to the performance appraisal system, seeking to align individual performance with the corporate goals also reflect the Group's continuous effort in reviewing its human resource policies to keep up with changes in its operating landscape and competitive environment.

To create a better work-life balance for our employees, we recently launched our Workplace Health Programme promoting responsibility towards one's own health. Employees are encouraged to participate in various sporting activities which are subsidised by the Group.

The Group will remain steadfast on its centripetal human resource philosophy of providing an environment of trust, confidence and performance excellence where our STARS can shine beyond the horizon.

SOCIAL RESPONSIBILITY

MTQ And The Community

With the adoption of a new corporate identity, the Group is also developing our own distinct culture and value. This is evident not just in the quality of work we do but also through the sense of community we are building and our commitment to promoting responsible corporate citizenship within the Group via staff involvement in various workplace activities.

The safety of our staff and the working environment is of paramount importance. Besides providing the necessary work gear to protect our staff from potential work-place hazards, a safety committee also looks after educating our people on workplace safety measures. Besides regular training sessions, an annual Workplace Safety Campaign has also been held to encourage greater safety awareness.

...our commitment to promoting responsible corporate citizenship within the Group via staff involvement in various workplace activities.



The Group has also responded positively to the Government's call to be more vigilant in our fight against the recent SARS outbreak in stepping up various controls to protect our staff in the Singapore premise.

Looking ahead, despite the many challenges placed before us, the Group is determined to play its part in contributing to our society at large. The Group is currently in the process of identifying community projects where our staff can play a part in. It is our desire that MTQ will be able to bring much cheer and light to our community.



Financial Report

FINANCIAL REPORT

Corporate Governance Report	30
Directors' Report	36
Statement by Directors	41
Auditors' Report	42
Profit & Loss Accounts	43
Balance Sheets	45
Statements of Changes in Equity	46
Consolidated Statement of Cash Flows	47
Notes to the Financial Statements	49
Statistics of Shareholdings	76
Notice of Annual General Meeting	78
Proxy Form	
Survey Form	

MTQ

MTQ



The Group is committed to achieving high standards of corporate governance as we believe that this will ensure investor confidence in us and enable us to achieve long-term value and returns for our shareholders.

CORPORATE GOVERNANCE REPORT

The Group is committed to achieving high standards of corporate governance as we believe that this will ensure investor confidence in us and enable us to achieve long-term value and returns for our shareholders. The Singapore Exchange Securities Trading Limited's ("SGX-ST") Listing Manual requirement ("the listing requirement"), introduced in April 2001, requires that an issuer which holds its annual general meeting ("AGM") on or after 1 January 2003 should describe its corporate governance practices with specific reference to Code of Corporate Governance ("Code") in its annual report.

This Report describes our corporate governance policies and practices with specific reference to the Code. For ease of reference, the relevant provision of the Code under discussion is identified in bold. However, other sections of this Report may also have an impact on the disclosures as this Report is meant to be read as a whole, instead of being compartmentalised under the different principles of the Code.

The Group believes in upholding the spirit of corporate governance rather than mere compliance in form. We subscribe fully to the principles and recommendations in the Code where it is applicable, relevant and practical to the Group.

Board Of Directors

Principle 1 : The Board's Conduct of Its Affairs

The Board of MTQ Corporation Limited assumes stewardship and control of the Group's resources and undertakes overall responsibility for corporate governance and performance of the Group. It sets the vision and objectives of the Group and directs the Group's strategic policies. The Board also reviews the financial performance of the Group and oversees the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance. These functions are carried out either directly by the Board or delegated to Board Committees. The responsibilities of each committee are described under "Board Committees" below.

Matters which are specifically reserved to the Board for decision are those involving a conflict of interest for a substantial shareholder or a Director, material acquisitions and disposals of assets, corporate or financial restructuring and share issuances, dividends and other returns to shareholders as well as matters which require Board approval as specified under our interested person transaction policy. The Board also approves major decisions such as investment and divestments proposals, the annual budget, major funding proposals and expenditures exceeding a prescribed amount.

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Company's Articles of Association (the "Articles") allow a Board meeting to be conducted by way of telephone conferencing or any other methods of simultaneous communication by electronic or telegraphic means. The attendance of the directors at meetings of the Board and Board Committees, as well as the frequency of such meetings, is disclosed in this Report.

We believe that contribution from each Director can be reflected in ways other than just the attendance of such Directors at formal meetings alone. A director would have been appointed on the strength of his calibre and relevant experience that could contribute to the proper guidance of the Group's businesses. Management can also access them for guidance or exchange of views outside the formal environment of Board meetings.

We have initiated programmes for Directors to meet their relevant training needs. The Company has an on-going budget for the existing Directors to fund the Directors' participation at industry conferences and seminars, and their attendance at any course of instruction/training programme in connection with their duties as Directors. This budget may be utilised by each Director subject to approval by the Chairman. The Directors are also encouraged to be a member of the Singapore Institute of Directors, where regular updates and developments on directors' roles and responsibilities could be obtained.

The Company Secretary has, from time to time, updated the Directors with issues on disclosure of interest in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibitions on dealing in the Company's securities and restrictions on disclosure of price-sensitive information.

The Company has adopted the stand that Directors are welcome to request further explanations, briefings or informal discussions on any aspects of the Group's operations or business issues from management. The Chairman will make the necessary arrangement for the briefings, informal discussions or explanations required by the Director. In addition, the Directors can, in furtherance of their duties, take independent professional advice, if necessary, at the Company's expense.

CORPORATE GOVERNANCE REPORT

Principal 4 : Board Membership

The Company does not have a Nominating Committee and all new nominations received are assessed and approved by the Board in line with its policy of ensuring nominees are persons of sufficient calibre and experience and who are able to contribute to the proper guidance of the Group and its businesses. To assist the Directors in discharging their duties, newly appointed Directors are briefed by the Chairman on the business operations of the Group and its strategic directions. The incoming Directors are also given access to the past years' annual reports and minutes of the Board meetings.

New Directors must submit themselves for re-election at the next annual general meeting of the Company. Article 91 of the Articles requires not less than one-third of the Directors to retire by rotation at every annual general meeting. Each Director is required to retire at least once every three years.

Principle 2 : Board Composition and Balance

Principle 3 : Chairman and Chief Executive Officer

The Company does not have a separate Chairman and CEO as the current scale of its business does not warrant such a division. Among his other duties, the Chairman's role is to schedule and chair Board meetings, prepare the agenda with the management and control the quality, quantity and timeliness of the flow of information to the Board and assist in compliance with the Company's guideline on corporate governance. In carrying out his executive duties and responsibilities for the Group's operations and business, the Chairman is assisted by the Executive Director and management staff.

We had, at our last extraordinary general meeting, altered our Articles to provide for the Chairman and CEO to be subject to the one-third rotation rule as well. This is to separate his role as CEO from his position as a Board member, and to enable shareholders to exercise their full rights to select all Board members.

During the financial year reported on, the Board comprises 2 executive and 4 non-executive Directors, of which 3 are independent Directors. As the majority of the Board members are non-executive Directors and at least one-third are independent Directors, the Board is of the opinion that it has sufficient independence and objectivity in ensuring that the appointment and re-election of directors is formal and transparent.

The Board reviews the independence of each Director on an annual basis and adopts the Code's definition of what constitute an independent director. Although the Company does not have a separate Chairman and CEO, the Board is satisfied that no individual or small group of individuals dominate the Board's decision-making process.

While the Company's Articles do not provide a cap to the maximum number of Directors, having regards to the current scale of the Group's business, the Directors are of the view that it is not practical or cost effective to have more than the requisite number of members in the Board. Despite a relatively small Board, it provides an effective blend of business and professional expertise in different fields which is further described in the "Board of Directors" section of the annual report.

Principle 6 : Access to Information

In order to ensure that the Board is able to fulfil its responsibilities, management provides the executive Directors with monthly management accounts and other financial statements within 15 working days after the month-end. Non-executive members of the Board are also furnished with management accounts and reports where necessary or as and when requested by them to ensure that they are able to carry out their duties. All Directors are also invited to participate in monthly division meetings with the management to discuss the operational and financial performance of the respective businesses.

Board reports, including financial information, quarterly forecasts, significant corporate issues and management proposals which require the approval of the Board, are circulated to all Board members prior the meetings.

The Directors have separate and independent access to the management as well as the Company Secretary.

The Company Secretary is the Company's chief administrative officer and is responsible for the Company's compliance with its statutory duties. The Secretary's key role is to ensure that Board procedures are followed and regularly reviewed. The Secretary will also provide the Board with guidance on procedures under the Act, the Memorandum and Articles of the Company, the rules of SGX-ST and other relevant legislation. The Company Secretary attends and administers all Board meetings and prepares the minutes of board proceedings.

CORPORATE GOVERNANCE REPORT

Board Committees

Principle 5 : Board Performance

Principle 7 : Procedure for Developing Remuneration Policies

Principle 8 : Level and Mix of Remuneration

Principle 9 : Disclosure on Remuneration

Remuneration Committee

The Remuneration Committee comprises:

Philip Eng Heng Nee	(Chairman)
Huang Yuan Chiang	
Ian Wayne Spence	
Ong Choo Eng	

The Remuneration Committee consists of 4 non-executive Directors of whom 3 are independent Directors and are free from any business or other relationships.

The Remuneration Committee's role is to review and recommend to the Board, an appropriate and competitive framework of remuneration for the Board and key executives of the Group.

In setting the remuneration packages, the Remuneration Committee takes into account the performance of the Group, as well as individual Directors and key executives. In addition to linking rewards to the Group and individual performance, the remuneration packages are also designed to align their interests with those of shareholders.

To promote an ownership culture within the Group and to align the interests of the stewards and employees of the Group with the interests of shareholders, the Group has in place a share option scheme for Directors and employees, the MTQ Corporation Executives' Share Option Scheme 2003 (the "Scheme"). Directors who are also controlling shareholders of the Company are also allowed to participate in the Scheme. The Remuneration Committee is also responsible for the administration of the MTQ Corporation Executives' Share Option Scheme 2003. Details of the Scheme have been set out in the Directors' Report.

The remuneration scheme for executive Directors is linked to performance, service record, experience and scope of responsibility. Performance is measured against the profits or objectives set in the Group's business plan and strategy. Executive Directors who are receiving salaries as Directors of subsidiary companies may also receive directors' fees for their contribution as a Director of the Company. For non-executive Directors, the level of fees reflects the level of responsibility and time taken by them. The Chairman of the Audit Committee receives additional fees to take into account the nature of his responsibilities and the greater frequency of meetings in light of the Company's quarterly reporting practice. On an annual basis, the Board will also assess their performance as a whole based on the achievement of the Group's strategic and long-term objectives.

The non-executive Directors do not have service contracts. The service contracts for executive Directors, if any, will have a fixed period and will not be excessively long or with onerous removal clauses. The terms of service contract also require the specific approval of the Board.

Directors' fees are recommended and endorsed by the Board for approval by shareholders of the Company at its annual general meeting. The Remuneration Committee is of the opinion that for the time being, except for the directors' fee, it is not necessary or practical for the policy in remuneration to be approved at the annual general meeting.

CORPORATE GOVERNANCE REPORT

Board Committees (cont'd)

Remuneration Committee (cont'd)

The remuneration of Directors are set out below:

	Fee	Salary/ Allowance	AWS/Bonus	Benefits
a) Director				
I. \$750,000 and above Mr Kuah Kok Kim	-	43%	50%	7%
II. \$500,000 and below \$750,000 Nil	-	-	-	-
III. \$250,000 and below \$500,000 Nil	-	-	-	-
IV. \$250,000 and below Mr Samuel Bernard Sassoon	-	77%	-	23%
Mr Philip Eng Heng Nee	100%	-	-	-
Mr Ong Choo Eng	100%	-	-	-
Mr Huang Yuan Chiang	100%	-	-	-
Mr Ian Wayne Spence	100%	-	-	-

For competitive reasons, we are not disclosing the remuneration of our key executives.

There is no employee of the Company or Group who is an immediate family member of a Director or the CEO during the financial year under review.

Principle 11 : Audit Committee

Principle 12 : Internal Controls

Principle 13 : Internal Audit

Audit Committee

The Audit Committee comprises 4 non-executive Director members, of whom 3 are independent Directors:

Mr Ian Wayne Spence (Chairman)
Mr Philip Eng Heng Nee
Mr Huang Yuan Chiang
Mr Ong Choo Eng

The Audit Committee has been set up to perform the functions required pursuant to Section 201B(5) of the Companies Act, Cap 50 and the guidelines set out by SGX-ST.

The Board is of the view that a majority of the members of the Audit Committee have the requisite accounting and financial management expertise and experience to carry out their duties.

The Audit Committee has oversight of the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors. The Committee is empowered to investigate any matter relating to the Group's accounting, auditing, internal controls and/or financial practices brought to its attention. The Audit Committee has full discretion to invite any Director and executive officer to attend its meetings. The Audit Committee also has full access to records, resources and personnel, to enable it to discharge its functions properly.

In performing its functions, the Audit Committee meet with the internal and external auditors at least on an annual basis, without the presence of management, to review the overall scope of both internal and external audits, and the assistance given by management to the auditors.

The Audit Committee has also undertaken a review of all non-audit services provided by the external auditors and they would not, in the Audit Committee's opinion, affect the independence of the auditors.

As part of the yearly statutory audit on the financial statements, the external auditors also report to the Audit Committee and to the appropriate level of management any material weaknesses in the Group's system of internal controls and provide recommendations on other significant matters such as risk management which have come to their attention during the course of the audit.

CORPORATE GOVERNANCE REPORT

Board Committees (cont'd)

Audit Committee (cont'd)

The internal audit function of the Group is supported by the internal audit department of Ernst & Young. Their work is complemented by an independent in-house internal audit division in respect of internal audit work for overseas operations to further enhance the risk management of the Group. Both internal audit functions report directly to the Audit Committee.

The Audit Committee has reviewed and is satisfied with:

- the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management;
- the adequacy of the internal audit function; and
- that the internal independent audit function is adequately resourced, and has appropriate standing within the Company and the Group.

Allotment Committee

The Allotment Committee comprises:

Mr Kuah Kok Kim (Chairman)
Mr Samuel Bernard Sassoon

The Allotment Committee is set up in September 2002 to administer the allotment of shares arising from the exercise of options by employees under the MTQ Corporation Executives' Share Option Scheme 2003 and any other matters arising from the exercise of options by employees.

Investment Committee

The Investment Committee comprises:

Mr Kuah Kok Kim (Chairman)
Mr Ong Choo Eng
Mr Ian Wayne Spence

The role of the Investment Committee is to explore and source for new investment opportunities as well as initiate feasibility studies and make their recommendations to the Board.

Board Committees And Attendance

Name of Director	Board of Directors		Remuneration Committee		Audit Committee	
	No of meetings		No of meetings		No of meetings	
	held	attended	held	attended	held	attended
Mr Kuah Kok Kim	7	7	-	-	-	-
Mr Samuel Bernard Sassoon	7	6	-	-	-	-
Mr Huang Yuan Chiang	7	6	6	6	4	3
Mr Ian Wayne Spence	7	6	6	6	4	4
Mr Ong Choo Eng	7	7	6	3	4	4
Mr Philip Eng Heng Nee	7	5	6	6	4	4

In view of its administrative function, the Allotment Committee does not conduct any formal meetings.

The Investment Committee drives the deliberation on potential investment candidates during the Board meetings and initiate the due diligence exercises. As such, the meetings of the Investment Committee have not been separately recorded.

CORPORATE GOVERNANCE REPORT

Communication With Shareholders

Principle 10 : Accountability and Audit

Principle 14 : Communication with Shareholders

Principle 15 : Greater Shareholder Participation

The Group is in regular and effective communication with our shareholders. The Board strives for timeliness and transparency, in its disclosures to shareholders and the public. The quarterly results are announced via SGX-ST and the Business Times well within the mandatory period. We have also adopted quarterly reporting before the mandatory deadline applicable to the Group. All price-sensitive information are disseminated via SGX-ST and such information is simultaneously posted on our corporate website at www.mtq.com.sg and investor portal, www.shareinvestor.com.

Shareholders receive semi-annual newsletters which provide updates on the development and new initiatives of the Group. Shareholders are also given the opportunity to enquire from Directors, Chairpersons of the Board Committees, management and external auditors on any matters concerning the Company and Group during the Company's annual general meetings of which separate resolutions are set for each distinct issue. The Articles allow a member of the Company to appoint a proxy or proxies to attend and vote instead of the member.

Dealing In Securities

In line with SGX-ST's Best Practices Guide on Dealings in Securities, the Company issues circulars to its Directors and officers that there must be no dealings in listed securities of the Company one month before the announcement of the quarterly results until the date of the announcement of results. Directors and officers in possession of unpublished material price sensitive information are also not allowed to deal in the Company's shares.

The Board is satisfied with the Group's commitment to comply with the Code of Corporate Governance, and on the adequacy of internal controls within the Group.

Interested Persons Transaction Policy

The Company has adhered to the rules and recommended guidelines in respect of transactions with interested persons. For FY2003, there were no interested persons transactions.

Best Practices Guide

In the opinion of the Directors, the Company has complied with the Best Practices Guide issued by the SGX-ST except as otherwise stated or disclosed.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 March 2003.

Directors

The Directors of the Company in office at the date of this report are :

Kuah Kok Kim	(Chairman & CEO)
Philip Eng Heng Nee	
Huang Yuan Chiang	
Ong Choo Eng	
Samuel Bernard Sassoon	
Ian Wayne Spence	

Principal Activities

The principal activities of the Group are those relating to oilfield engineering; sales and servicing of turbochargers; sales of fuel injection parts; and the designing, manufacturing and operation of remotely operated vehicles.

In May 2002, the Group had successfully completed the sale of its marine repair services operation as well as the trading of marine spare parts and components business of a wholly owned subsidiary company, MTQ Engineering Pte Ltd.

In August 2002, the Company's wholly owned subsidiary company, MTQ Engine Systems (Aust) Pty Ltd ("MTQES"), entered into the business of supplying diesel fuel injection spare parts in Australia via purchasing the business from RM Diesel Pty Ltd as an on-going concern, together with its business assets. In November 2002, MTQES further acquired the sales and servicing of turbocharger business from Turbo Torque Pty Ltd as an on-going concern, together with its business assets.

There have been no other significant changes in the nature of these activities during the financial year.

Acquisition And Disposal Of Subsidiary Companies

Company in which additional interests were acquired by the Company	Consideration	Group's share of net tangible assets acquired	Group's effective interest	
			Before	After
			%	%
	\$'000	\$'000		
MTQ Subsea Technology Pte Ltd	1,000	994	71.4	72.7

Arising from the above, the Group's effective interest in MTQ Subsea Limited, a wholly owned subsidiary company of MTQ Subsea Technology Pte Ltd, also increased from 71.4% to 72.7%.

During the financial year, a wholly owned subsidiary company, MTQ EngineSystems (Aust) Pty Ltd, incorporated a wholly owned subsidiary company, Dynamic Turbocharger Services (Australia) Pty Ltd with an issued paid up share capital of A\$100.

There were no disposals of subsidiary companies during the financial year.

Results For The Financial Year

	Group \$'000	Company \$'000
Net profit/(loss) from operations	5,150	(794)
Minority interests	235	-
Net profit/(loss) attributable to shareholders	5,385	(794)
Dividends paid in respect of previous financial year, less tax	(1,544)	(1,544)
Dividends paid in respect of current financial year, less tax	(618)	(618)
Transferred to retained earnings	3,223	(2,956)

DIRECTORS' REPORT

Results For The Financial Year (cont'd)

In the opinion of the Directors, the results of the operations of the Company and the Group during the financial year have not been affected by any item, transaction or event of a material and unusual nature other than the exceptional items and changes in accounting policies as disclosed in the notes to the financial statements.

Material Movements In Reserves And Provisions

Movements in reserves during the year are as set out in the Statements of Changes in Equity for the Company and the Group.

There have been no material transfers to or from provisions during the financial year except for normal amounts recognised as an expense for items such as depreciation of non-current assets and provisions for doubtful debts, inventory obsolescence, impairment of assets and income tax as shown in the financial statements.

Dividends

Since the end of the previous financial year, the Company has paid a first and final dividend of 5% less tax, amounting to \$772,200 and a special dividend of 5% less tax amounting to \$772,200 in respect of the previous financial year as proposed in the Directors' Report for the year then ended.

The Company has paid an interim dividend of 4% less tax at 22%, amounting to \$617,760, for the current financial year.

The Directors propose a final dividend of 6% less tax at 22%, amounting to \$926,640, to be paid for the current financial year.

Share Capital

No shares were issued by the Company during the financial year.

Shares issued by subsidiary companies during the financial year were as follows:

Name of subsidiary companies	Description of shares issued	Purpose of issue
MTQ Subsea Technology Pte Ltd	1,300,000 fully paid ordinary shares of \$1 each issued at par for cash	To provide additional working capital
MTQ Subsea Limited	300,000 fully paid ordinary shares of £1 each issued at par through capitalisation of shareholder's loan	To provide additional working capital
Dynamic Turbocharger Services (Australia) Pty Ltd	100 fully paid ordinary shares of A\$1 each issued at par for cash	Incorporation of company

Options On Shares In The Company

(a) The Metalock Executives' Share Option Scheme (the "Previous Scheme") was approved by shareholders of the Company at an Extraordinary General Meeting held on 8 August 2000. The Previous Scheme was subsequently replaced by a new option scheme known as The MTQ Corporation Executives' Share Option Scheme 2003 (the "Scheme") upon approval granted by shareholders of the Company at an Extraordinary General Meeting held on 14 April 2003.

Unlike the Previous Scheme, the Scheme allows for the participation of executives who meet the eligibility criteria but who are also controlling shareholders. Associates of the controlling shareholders are not eligible to participate in the Scheme. Although the Previous Scheme is replaced by the Scheme, any subsisting and outstanding share options granted under the Previous Scheme continues to be exercisable in accordance with the terms of the Previous Scheme.

(b) Controlling shareholders who are allowed to participate in the Scheme comprises Mr. Kuah Kok Kim.

DIRECTORS' REPORT

Options On Shares In The Company (cont'd)

(c) The Scheme is administered by the Remuneration Committee which comprises the following members during the year and as at the date of this report:

Philip Eng Heng Nee (Chairman)
 Huang Yuan Chiang
 Ong Choo Eng
 Ian Wayne Spence

(d) Under the Previous Scheme, shares options granted, exercised and cancelled during the financial year and outstanding as at 31 March 2003 were as follows:

Date of grant	As at	No of options		As at	Exercise price	Expiry date
	1.4.2002	Exercised	Cancelled	31.3.2003		
15 October 2000	1,650,000	-	495,000	1,155,000	\$0.30	15 October 2010
15 October 2000	200,000	-	-	200,000	\$0.30	15 October 2005
	1,850,000	-	495,000	1,355,000		

(e) During the financial year, no options in respect of unissued ordinary shares in the Company were granted under the Scheme.

(f) No options have been granted to the controlling shareholder, and no eligible participant has received 5% or more of the total options available under the Previous Scheme and the Scheme.

(g) No options were granted under the Scheme at a discount during the financial year.

(h) Except for the above, no other options were granted by the Company during the financial year and there were no other unissued shares under option at the end of the financial year.

Directors' Interests In Shares, Share Options And Debentures

According to the register required to be kept under Section 164 of the Companies Act, Cap. 50, the following Directors who held office at the end of the financial year had interests in the Company and its subsidiary companies as stated below:

	Holdings registered in the name of Directors			Holdings in which Directors are deemed to have interests		
	At 1.4.2002	At 31.3.2003	At 21.4.2003	At 1.4.2002	At 31.3.2003	At 21.4.2003
The Company (Ordinary shares of \$0.25 each)						
Kuah Kok Kim	115,000	30,000	30,000	18,005,000	18,570,000	18,570,000
Samuel Bernard Sassoon	199,000	204,000	204,000	3,449,000	3,449,000	3,449,000
(Options to subscribe for ordinary shares of \$0.25 each)						
Philip Eng Heng Nee	100,000	100,000	100,000	-	-	-
Ong Choo Eng	100,000	100,000	100,000	-	-	-
Subsidiary company MTQ Subsea Technology Pte Ltd (Ordinary shares of \$1 each)						
Samuel Bernard Sassoon	1,000,000	1,070,000	1,070,000	-	-	-

DIRECTORS' REPORT

Directors' Interests In Shares, Share Options And Debentures (cont'd)

Except as described above, there were no other changes in any of the abovementioned interests between the end of the financial year and 21 April 2003.

Mr Kuah Kok Kim is deemed to have an interest in shares of the Company's subsidiary companies by virtue of his interest in more than 20% of the issued share capital of the Company.

Except as described above, neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements, to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by means of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

Asset Values

Before the profit and loss account and balance sheet of the Company were made out, the Directors took reasonable steps to ascertain that:

- (a) actions had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values or adequate provision had been made for the difference between those values.

At the date of this report, the Directors are not aware of any circumstances which would render :

- (a) any amount written off or provided for bad and doubtful debts in the Group inadequate to any substantial extent; and
- (b) the values attributed to current assets in the consolidated financial statements misleading.

Charges And Contingent Liabilities

Since the end of the financial year, no charge on the assets of the Company or any companies in the Group has arisen which secures the liabilities of any other person.

Except as disclosed in the financial statements, since the end of the financial year, no contingent liability of the Company or any companies in the Group has arisen.

No contingent or other liabilities of the Company or any companies in the Group have become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

Other Circumstances Affecting The Financial Statements

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements which would render any amount stated in the financial statements of the Company and the consolidated financial statements misleading.

Unusual Items After The Financial Year

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company or of the Group for the financial year in which this report is made except for those disclosed in Note 28 to the financial statements.

DIRECTORS' REPORT

Audit Committee

The Audit Committee comprises 4 members, of whom 3 are Independent Directors :

Ian Wayne Spence	(Chairman, Independent Director)
Philip Eng Heng Nee	(Independent Director)
Huang Yuan Chiang	(Independent Director)
Ong Choo Eng	

The Audit Committee performs the functions required pursuant to Section 201B(5) of the Companies Act, Cap. 50 and the guidelines set out by the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Audit Committee has oversight of the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors. In performing its functions, the Audit Committee meet with the internal and external auditors at least on an annual basis, without the presence of management, to review the overall scope of both internal and external audits, and the assistance given by the management to the auditors. The Audit Committee also reviews all non-audit services provided by the external auditors and their impact on independence and objectivity of the external auditors.

Areas of review by the Audit Committee also include :

- the effectiveness of the Group's system of accounting and internal controls, including financial, operational and compliance controls and risk management;
- the quarterly and full year announcements; and
- the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2003 as the external auditors' report thereon.

The Committee recommends to the Board of Directors that the auditors, Ernst & Young, be nominated for re-appointment as external auditors at the forthcoming Annual General Meeting of the Company.

Subsequent Event

With effect from 28 April 2003, the Company changed its name from Metalock (Singapore) Limited to MTQ Corporation Limited.

Auditors

The auditors, Ernst & Young, Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board,

Kuah Kok Kim
Director

Ian Wayne Spence
Director

Singapore
23 May 2003

STATEMENT BY DIRECTORS

Pursuant To Section 201(15), Companies Act, Cap. 50

We, Kuah Kok Kim and Ian Wayne Spence, being two of the Directors of MTQ Corporation Limited, do hereby state that, in the opinion of the Directors :

- (a) the accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated statement of cash flows together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 and of the results of the business, and changes in equity of the Company and of the Group and cash flows of the Group for the year then ended, and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

Kuah Kok Kim

Director

Ian Wayne Spence

Director

Singapore
23 May 2003

Auditors' Report

To the Members of MTQ Corporation Limited

We have audited the financial statements of MTQ Corporation Limited set out on pages 43 to 75. These financial statements comprise the balance sheets of the Company and of the Group as at 31 March 2003, the profit and loss accounts and the statements of changes in equity of the Company and of the Group and statement of cash flows of the Group for the year ended 31 March 2003, and notes thereto. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of :
- (i) the state of affairs of the Company and of the Group as at 31 March 2003, the results and changes in equity of the Company and of the Group and cash flows of the Group for the year ended on that date; and
 - (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of all subsidiary companies of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of those subsidiary companies audited by member firms of Ernst & Young International are stated in Note 25 to the financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and in respect of subsidiary companies incorporated in Singapore did not include any comment made under Section 207(3) of the Act.

ERNST & YOUNG

Certified Public Accountants

Singapore
23 May 2003

PROFIT AND LOSS ACCOUNTS

For The Year Ended 31 March 2003

(In Singapore dollars)

GROUP	Note	Continuing Operations		Discontinuing Operations		Total Consolidated	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue	3	46,432	30,119	1,598	12,293	48,030	42,412
Other revenue	4	804	427	14	70	818	497
		47,236	30,546	1,612	12,363	48,848	42,909
Cost of sales		(30,791)	(17,473)	(883)	(9,583)	(31,674)	(27,056)
		16,445	13,073	729	2,780	17,174	15,853
Staff costs		(7,968)	(6,137)	(171)	(1,399)	(8,139)	(7,536)
Other operating expenses		(5,219)	(3,498)	(757)	(2,770)	(5,976)	(6,268)
Profit/(loss) from operating activities	5	3,258	3,438	(199)	(1,389)	3,059	2,049
Finance costs	6	(633)	(331)	-	(26)	(633)	(357)
Gain on disposition	27	-	-	3,484	1	3,484	1
Profit/(loss) from operations before taxation		2,625	3,107	3,285	(1,414)	5,910	1,693
Taxation	7	(722)	(434)	(38)	-	(760)	(434)
Net profit/(loss) from operations		1,903	2,673	3,247	(1,414)	5,150	1,259
Minority interests		235	222	-	-	235	222
Net profit/(loss) attributable to shareholders		2,138	2,895	3,247	(1,414)	5,385	1,481
Earnings per share							
- Basic	8	2.70 cts	3.66 cts			6.80 cts	1.87 cts
- Diluted	8	2.69 cts	3.64 cts			6.78 cts	1.86 cts

The accounting policies and explanatory notes on pages 49 to 75 form an integral part of the financial statements.

PROFIT AND LOSS ACCOUNTS

For The Year Ended 31 March 2003

(In Singapore dollars)

COMPANY	Note	Continuing Operations		Discontinuing Operations		Total	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue	3	3,065	3,552	-	-	3,065	3,552
Other revenue	4	424	368	-	-	424	368
		3,489	3,920	-	-	3,489	3,920
Staff costs		(1,858)	(1,315)	-	-	(1,858)	(1,315)
Other operating expenses		(3,606)	(3,836)	-	-	(3,606)	(3,836)
Loss from operating activities	5	(1,975)	(1,231)	-	-	(1,975)	(1,231)
Finance costs	6	-	(12)	-	-	-	(12)
Gain on disposition	27	-	-	1,118	-	1,118	-
(Loss)/profit from operations before taxation		(1,975)	(1,243)	1,118	-	(857)	(1,243)
Taxation	7	63	(32)	-	-	63	(32)
Net (loss)/profit attributable to shareholders		(1,912)	(1,275)	1,118	-	(794)	(1,275)

The accounting policies and explanatory notes on pages 49 to 75 form an integral part of the financial statements.

BALANCE SHEETS

As At 31 March 2003

(In Singapore dollars)

	Note	Group		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
ASSETS LESS LIABILITIES					
Non-current assets					
Goodwill	9	2,163	-	-	-
Property, plant and equipment, net	10	24,238	21,773	2,307	4,307
Subsidiary companies	11	-	-	22,208	27,584
Investments	12	2,813	685	-	685
Other receivables	13	316	290	73	98
Deferred tax assets	18	297	248	-	-
		29,827	22,996	24,588	32,674
Current assets					
Inventories and work-in-progress	14	5,668	6,510	-	-
Receivables	15	14,495	10,774	673	987
Fixed deposits	22	7,705	2,032	7,702	2,029
Cash at bank and in hand	22	2,980	5,849	435	1,419
		30,848	25,165	8,810	4,435
Current liabilities					
Payables : amounts falling due within one year	16	17,925	14,963	773	987
Net current assets		12,923	10,202	8,037	3,448
Non-current liabilities					
Payables : amounts falling due after one year	17	10,121	3,628	-	-
Deferred tax liabilities	18	369	742	184	725
		(10,490)	(4,370)	(184)	(725)
Net assets		32,260	28,828	32,441	35,397
EQUITY					
Share capital	19	19,800	19,800	19,800	19,800
Reserves	20	11,490	8,134	12,641	15,597
Shareholders' funds		31,290	27,934	32,441	35,397
Minority interests		970	894	-	-
		32,260	28,828	32,441	35,397

The accounting policies and explanatory notes on pages 49 to 75 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For The Year Ended 31 March 2003

(In Singapore dollars)

	Share Capital	Share premium	Foreign currency translation reserve	Retained earnings	Share- holders' funds
	\$'000	\$'000	\$'000	\$'000	\$'000
GROUP					
Balance at 1 April 2001	19,800	1,944	531	4,888	27,163
Exchange difference on translation of overseas subsidiary companies	-	-	37	-	37
Net profit attributable to shareholders	-	-	-	1,481	1,481
Dividends paid in respect of previous financial year, less tax	-	-	-	(747)	(747)
Balance at 31 March 2002	19,800	1,944	568	5,622	27,934
Exchange difference on translation of overseas subsidiary companies	-	-	133	-	133
Net profit attributable to shareholders	-	-	-	5,385	5,385
Dividends paid in respect of previous financial year, less tax	-	-	-	(1,544)	(1,544)
Dividends paid in respect of current financial year, less tax	-	-	-	(618)	(618)
Balance at 31 March 2003	19,800	1,944	701	8,845	31,290

	Share Capital	Share premium	Retained earnings	Share- holders' funds
	\$'000	\$'000	\$'000	\$'000
COMPANY				
Balance at 1 April 2001	19,800	1,944	15,675	37,419
Net loss for the year	-	-	(1,275)	(1,275)
Dividends paid in respect of previous financial year, less tax	-	-	(747)	(747)
Balance at 31 March 2002	19,800	1,944	13,653	35,397
Net loss for the year	-	-	(794)	(794)
Dividends paid in respect of previous financial year, less tax	-	-	(1,544)	(1,544)
Dividends paid in respect of current financial year, less tax	-	-	(618)	(618)
Balance at 31 March 2003	19,800	1,944	10,697	32,441

The accounting policies and explanatory notes on pages 49 to 75 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 March 2003

(In Singapore dollars)

	2003 \$'000	2002 \$'000
Cash flows from operating activities:		
Profit from operations before taxation	5,910	1,693
Add/(less):		
Amortisation of goodwill on business acquisition	69	-
Depreciation of property, plant and equipment	2,860	2,134
Provision for diminution in value of unquoted investment	685	-
Profit on sale of business assets	(3,484)	-
Profit on sale of property, plant and equipment	(16)	(82)
Investment and interest income	(119)	(62)
Interest expense	633	357
Goodwill arising from acquisition of additional interests in a subsidiary company written off	6	-
Dilution of minority interests in subsidiary company, net	-	(3)
Impairment loss of property, plant and equipment	-	170
Profit on sale of quoted investments	-	(2)
Operating income before reinvestment in working capital	6,544	4,205
(Increase)/decrease in receivables	(2,006)	2,644
Decrease/(increase) in inventories and work-in-progress	450	(174)
Increase/(decrease) in payables	263	(656)
Currency realignment	(388)	91
Cash generated from operations	4,863	6,110
Investment and interest income	119	62
Interest expense paid	(633)	(357)
Income taxes paid	(683)	(601)
Net cash provided by operating activities	3,666	5,214
Cash flows from investing activities:		
Proceeds from sale of business assets	7,798	5,970
Purchase of property, plant and equipment	(9,727)	(10,747)
Proceeds from sale of property, plant and equipment	542	4,969
Investment in new businesses #	(3,471)	-
(Purchase of)/proceeds from sale of quoted investments	(2,813)	43
Additional investment in unquoted investment	-	(336)
Subscription for shares in a subsidiary company by minority shareholders	300	810
Loans (to)/repaid by staff, net	(46)	146
Net cash (used in)/ provided by investing activities	(7,417)	855

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

For The Year Ended 31 March 2003

(In Singapore dollars)

	2003 \$'000	2002 \$'000
Cash flows from financing activities:		
Dividends paid	(2,162)	(747)
Proceeds/(repayment) of bank overdraft, secured	600	(94)
Proceeds from bank loans, secured	12,896	3,820
Repayment of bank loans, secured	(4,680)	(1,615)
Proceeds from finance leases	-	38
Repayment of finance leases	(99)	(124)
Net cash provided by financing activities	6,555	1,278
Net change in cash and cash equivalents	2,804	7,347
Cash and cash equivalents at beginning of financial year (Note 22)	7,881	534
Cash and cash equivalents at end of financial year (Note 22)	10,685	7,881

Investment in new businesses

The fair value of the assets acquired and liabilities assumed arising from the investment in businesses and the cash flow effect thereof were as follows:-

	\$'000
Property, plant and equipment	105
Inventories	1,173
Prepayments	20
Accruals for staff-related costs	(59)
	1,239
Goodwill arising from business acquisition	2,232
Consideration paid in cash	<u>3,471</u>

Details of the assets and liabilities disposed of from the sale of business assets in the current financial year are described in Note 27.

Proceeds from sale of business assets in the previous financial year relate to the proceeds received in respect of the sale of business assets of a subsidiary company in the financial year ended 31 March 2001.

The accounting policies and explanatory notes on pages 49 to 75 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

1. Corporate Information

MTQ Corporation Limited is a public listed company which is incorporated in Singapore.

The registered office of the Company is located at 182 Pandan Loop, Singapore 128373.

The principal activities of the Group are those relating to oilfield engineering; sales and servicing of turbochargers; sales of fuel injection parts; and the designing, manufacturing and operation of remotely operated vehicles.

In May 2002, the Group successfully completed the sale of its marine repair services operation as well as the trading of marine spare parts and components business of a wholly owned subsidiary company, MTQ Engineering Pte Ltd.

In August 2002, the Company's wholly owned subsidiary company, MTQ Engine Systems (Aust) Pty Ltd ("MTQES"), entered into the business of supplying diesel fuel injection spare parts in Australia via purchasing the business from RM Diesel Pty Ltd as an on-going concern, together with its business assets. In November 2002, MTQES further acquired the sales and servicing of turbocharger business from Turbo Torque Pty Ltd as an on-going concern, together with its business assets.

There have been no other significant changes in the nature of these activities during the financial year.

The Company and the Group employed 16 and 229 (2002 : 14 and 291) employees as at 31 March 2003, respectively.

2. Summary Of Significant Accounting Policies

(a) Basis of preparation

The financial statements of the Company and of the Group which are expressed in Singapore dollars have been prepared on a historical cost basis and in accordance with Singapore Statements of Accounting Standard ("SAS") and the applicable provisions of the Companies Act.

The accounting policies have been consistently applied by the Company and Group and are consistent with those used in the previous financial year.

(b) Basis of consolidation

The financial statements of the Group incorporate the financial statements of the Company and all its subsidiary companies made up to 31 March. All intra-group balances and transactions are eliminated on consolidation.

The results of subsidiary companies are included in the financial statements of the Group from the date they become subsidiary companies. Acquisition of subsidiary companies are accounted for using the purchase method of accounting.

The financial statements of subsidiary companies are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to conform any dissimilar material accounting policies that may exist.

(c) Goodwill on consolidation

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary company or an associated company at the date of acquisition. Goodwill is amortised using the straight-line method over the period that benefits are expected to be received, up to a maximum of 20 years. Goodwill which is assessed as having no continuing economic value is written off immediately to the profit and loss account.

(d) Goodwill on business acquisition

Goodwill on business acquisition represents the excess of the cost of the acquisition over the fair values of the identifiable assets and liabilities of the business acquired. Amortisation is provided on gross carrying amounts in equal annual instalments over the estimated useful life of the goodwill up to a maximum of 20 years, determined on individual basis. Goodwill which is assessed as having no continuing economic value is written off immediately to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

2. Summary Of Significant Accounting Policies (cont'd)

(e) Subsidiary companies

A subsidiary company is a company in which the Group, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

At each balance sheet date, the Company assesses whether there is any indication of impairment of the investment in subsidiary companies. If any such indication exists, the recoverable amount is estimated and provision for impairment loss is made, if any.

(f) Revenue recognition

Revenue from repair services is recognised upon completion of the services.

Revenue from trading sales is recognised upon passage of title to the customer which generally coincides with their delivery and acceptance.

Revenue from subsea services is recognised in the period in which the services are provided.

Management fees are recognised on an accrual basis upon which corporate services are rendered and billed.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals is capitalised and expenditure for maintenance and repairs is charged to the profit and loss account.

When assets are sold or retired, their costs and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

The carrying amounts of the property, plant and equipment are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount, and if carrying values exceed this recoverable amount, the assets are written down.

(h) Leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased property, plant and equipment. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

(i) Investments

Investments are held on a long term basis and at each balance sheet date, the Company assesses whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated and provision for diminution in value is made, if any.

Dividend income is accrued on the basis of the dates dividends are declared by the investee company.

(j) Depreciation

Depreciation is calculated on a straight-line method to write off the cost of the property, plant and equipment over their estimated useful lives. No depreciation is provided on freehold land and assets under construction.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

2. Summary Of Significant Accounting Policies (cont'd)

(j) Depreciation (cont'd)

The estimated useful lives of property, plant and equipment are as follows:

Freehold buildings	-	20 years
Leasehold land and buildings	-	50 years or the remaining term of the lease, whichever is lower
Workshop and subseas equipment	-	4 to 10 years
Furniture and fixtures	-	5 to 10 years
Motor vehicles	-	4 to 5 years
Office equipment	-	3 to 5 years

Assets under construction are stated at cost. Expenditure relating to assets under construction are capitalised when incurred. Depreciation will commence when the development is completed.

(k) Inventories and work-in-progress

Inventories are stated at the lower of cost, and net realisable value. Net realisable value represents the estimated selling price less anticipated cost of disposal and after making allowance for damaged, obsolete and slow-moving items.

Costs of inventories are determined using the first-in-first-out method except for those relating to fuel injection parts and turbochargers, where costs are determined on a weighted average basis.

Finished goods and work-in-progress include the cost of raw materials, direct labour and attributable production overheads.

(l) Trade and other receivables

Trade receivables, which generally have 30-day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at cost less an allowance for any uncollectible amounts.

(m) Trade and other payables

Liabilities for trade and other payables which are normally settled on 60-day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to related parties are carried at cost.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A provision for warranty is recognised for all products under warranty at the balance sheet date based on past experience on the level of repairs and returns.

(o) Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the loans and borrowings.

(p) Deferred taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

2. Summary Of Significant Accounting Policies (cont'd)

(p) Deferred taxation (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised. For deductible temporary differences associated with investments in subsidiary companies, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

(q) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and contributions to the Singapore State Pension Scheme, the Central Provident Fund ("CPF"), the Malaysia State Pension Scheme, the Employee Provident Fund ("EPF"), and contributions to the MTQ Subsea Limited Group Personal Pension Plan ("PPP").

Employee benefits arising in respect of wages and salaries, annual leave, CPF, EPF and PPP are charged against the profit and loss account.

Equity compensation plan

The Group has in place the MTQ Corporation Executives' Share Option Scheme 2003 which replaces the Metalock Executives' Share Option Scheme ("Previous Scheme"), and the MTQ Subsea Technology Pte Ltd Share Option Scheme ("MTQ Subsea Scheme") for granting of share options to Directors and executives.

The exercise price of options granted under the Previous Scheme approximates the market value of the share at the date of grant. The exercise price of options granted under the MTQ Subsea Scheme is based on the par value of the share with an annual escalation clause.

There have been no charges to the profit and loss account upon the grant or exercise of the options.

(r) Foreign currencies

Transactions arising in foreign currencies during the year are converted at rates closely approximating those ruling on the transaction dates. Foreign monetary currency assets and liabilities are converted into local currency at exchange rates ruling at the balance sheet date. All exchange differences arising from conversion are included in the profit and loss account.

For inclusion in the consolidated financial statements, all assets and liabilities of foreign subsidiary companies are translated into Singapore dollars at the exchange rates ruling at the balance sheet date. Revenues and expenses are translated at average exchange rates for the financial year. Exchange differences due to such currency translations are included in the Group's foreign currency translation reserve.

(s) Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same asset.

(t) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

2. Summary Of Significant Accounting Policies (cont'd)

(u) Government grants

Grants from government are recognised at their fair values where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in the profit and loss account over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit and loss account over the expected useful life of the relevant asset by equal annual instalments.

(v) Cash and cash equivalents

Cash and cash equivalents consist of fixed deposits, cash at bank and in hand less unsecured bank overdrafts.

(w) Discontinuing operations

A discontinuing operation is a clearly distinguishable component of the Company's or the Group's business that is or will be abandoned or terminated pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

3. Revenue

Revenue represents services and trading sales after allowance for goods returned and trade discounts. It excludes dividends, interest income and, in respect of the Group, intra-group transactions.

Revenue for the Company represents management fees invoiced for corporate services rendered to its subsidiary companies.

4. Other Revenue

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Rental income	286	296	286	296
Interest income	73	62	49	42
Gross dividend income from quoted equity investments	46	-	-	-
Government grant	262	-	-	-
Profit on sale of quoted investments	-	2	-	2
Commission received	-	32	-	-
Other income	151	105	89	28
	818	497	424	368

5. Profit/(Loss) From Operating Activities

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Profit/(loss) from operating activities is stated after charging/(crediting):				
(a) Manpower costs				
Salaries and wages	11,519	12,844	1,499	1,033
CPF, EPF and PPP fund	1,113	1,379	131	104
Others	2,007	1,563	228	178
	14,639	15,786	1,858	1,315
Less: Staff costs capitalised under assets under construction	(986)	(1,400)	-	-
	13,653	14,386	1,858	1,315

Manpower costs of the Company and the Group amounting to \$nil and \$5,514,000 (2002 : \$nil and \$6,850,000) respectively have been included in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

5. Profit/(Loss) From Operating Activities (cont'd)

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(b) Exceptional items, net				
- Gain on disposition of discontinued operation (Note 27)	(3,484)	(1)	(1,118)	-
- Provision for diminution in value of unquoted investment	685	-	685	-
- Plant and equipment written off due to loss of an asset (Note 23)	2,007	-	-	-
- Insurance claim in relation to an asset written off (Note 23)	(2,007)	-	-	-
- Severance pay arising from streamlining of operations	-	222	-	-
- Provision for impairment in value of investments in subsidiary companies, net	-	-	1,061	1,591
	(2,799)	221	628	1,591
(c) Other expenses				
- Amortisation of goodwill on business acquisition	69	-	-	-
- Auditors' remuneration:				
Auditors of the Company				
- Current year	103	89	40	28
- (Over)/under provision in respect of prior year	(4)	9	-	2
Other auditors				
- Current year	55	54	-	-
- Under provision in respect of prior year	7	6	-	-
Non-audit fees paid to				
- Auditors of the Company	127	41	85	17
- Other auditors	36	53	-	-
- Depreciation of property, plant and equipment	2,860	2,134	481	688
- Impairment loss of property, plant and equipment	-	170	-	170
- Directors' remuneration:				
Directors of the Company				
- Directors' fees	115	104	115	104
- Other remuneration	829	406	829	406
Directors of subsidiary companies	986	1,074	-	-
- Fees paid to a firm in which a Director of a subsidiary company has interests (Note 23)	479	462	-	-
- (Gain)/loss on exchange, net	(691)	(55)	32	(13)
- Goodwill arising from acquisition of additional interests in a subsidiary company written off	6	-	-	-
- Inventories written off	104	47	-	-
- Provision for/(write back of) obsolescence of inventories, net	-	379	-	(24)
- (Profit)/loss on sale of property, plant and equipment, net	(16)	13	(91)	-
- Bad debts written off	15	69	-	68
- Provision for amounts owing by subsidiary companies	-	-	85	-
- Provision for/(write back of) doubtful debts, net:				
- Specific	57	96	-	(112)
- General	(38)	59	-	(24)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

5. Profit/(Loss) From Operating Activities (cont'd)

Depreciation of property, plant and equipment for the Group amounting to \$2,022,000 (2002 : \$1,315,000) has been included in cost of sales.

Directors' remuneration of the Company pursuant to the SGX-ST Listing rules is as follows:

Number of Directors in remuneration bands

	Company	
	2003	2002
\$500,000 and above	1	-
\$250,000 to \$499,999	-	1
Below \$250,000		
- Present	5	5
- Ex-Director	-	1
Total	6	7

6. Finance Costs

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Interest on bank loans and overdrafts	619	340	-	12
Interest on finance leases	13	17	-	-
Interest on loan from minority shareholder of a subsidiary company	1	-	-	-
	633	357	-	12

7. Taxation

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Provision for taxation in respect of profit for the year:				
Current taxation	1,158	724	485	128
Deferred taxation	(103)	(296)	(246)	(96)
	1,055	428	239	32
(Over)/under provision in respect of previous years:				
Current taxation	-	37	(7)	-
Deferred taxation	(295)	(31)	(295)	-
	760	434	(63)	32

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

7. Taxation (cont'd)

A reconciliation of the statutory tax rate to the Company's and the Group's effective tax rate applicable to pre-tax profits is as follows:

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Profit/(loss) from operations before taxation	5,910	1,693	(857)	(1,243)
Tax at Singapore statutory tax rate of 22% (2002 : 24.5%)	1,300	415	(189)	(305)
Expenses not deductible for tax purposes	355	276	447	386
Income not subject to tax	(500)	(21)	(19)	(1)
Tax benefits not recognised	224	227	-	-
Utilisation of carried forward tax losses and capital allowances previously not recognised	(531)	(482)	-	-
Difference in tax rate	150	7	-	(48)
(Over)/under provision of tax expense in respect of prior year	(295)	6	(302)	-
Change in tax rate	57	-	-	-
Others	-	6	-	-
	760	434	(63)	32

The statutory income tax rate applicable to the Company was reduced to 22% for Year of Assessment 2004 from 24.5% for Year of Assessment 2003.

As at 31 March 2002, certain subsidiary companies had unutilised tax losses of approximately \$3,233,000 (2002 : \$4,390,000) and unabsorbed capital allowances of approximately \$762,000 (2002 : \$4,335,000) available for setoff against future taxable income, subject to agreement with the relevant authorities.

The potential tax benefit of approximately \$207,000 (2002 : \$832,000) from such unutilised tax losses, unabsorbed capital allowances and other temporary differences has not been recognised in the financial statements due to the uncertainty of its recoverability.

There are no income tax consequences attaching to the payment of dividends by the Company to the shareholders of the Company.

8. Earnings Per Share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year (adjusted for the effects of dilutive potential ordinary shares being the share options granted to employees).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

8. Earnings Per Share (cont'd)

The following reflects the income and share data used in the basic and diluted earnings per share computations for the financial years ended 31 March:

	Group	
	2003 \$'000	2002 \$'000
Net profit attributable to shareholders		
- continuing operations	2,138	2,895
- total consolidated	5,385	1,481
	Number of shares	
	'000	'000
Weighted average number of ordinary shares in issue applicable to basic earnings per share	79,200	79,200
Effect of dilutive securities:		
Share options	177	310
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	79,377	79,510
	Cents	Cents
Earnings per share - continuing operations		
- Basic	2.70	3.66
- Diluted	2.69	3.64
Earnings per share - total consolidated		
- Basic	6.80	1.87
- Diluted	6.78	1.86

9. Goodwill

	Group	
	2003 \$'000	2002 \$'000
Goodwill on business acquisition		
Cost :		
Balance as at 1 April	-	-
Acquisition of businesses	2,232	-
Balance as at 31 March	2,232	-
Accumulated amortisation :		
Balance as at 1 April	-	-
Amortisation	69	-
Balance as at 31 March	69	-
Net book value :		
Balance as at 31 March	2,163	-
Goodwill arising from acquisition of additional interests in a subsidiary company written off	6	-

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

10. Property, Plant and Equipment, Net

	Freehold land	Freehold buildings	Leasehold land and buildings	Workshop and subseas equipment	Furniture, office equipment and motor vehicles	Assets under construction	Total
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
At 1 April 2002	444	483	9,920	20,659	4,192	9,687	45,385
Currency realignment	41	44	(30)	267	108	417	847
Additions	-	-	22	3,147	1,120	5,543	9,832
Disposals/ written off	(224)	(191)	(3,108)	(4,243)	(945)	-	(8,711)
Transfers	-	-	-	15,288	-	(15,288)	-
At 31 March 2003	261	336	6,804	35,118	4,475	359	47,353
Accumulated depreciation							
At 1 April 2002	-	55	5,265	15,586	2,706	-	23,612
Currency realignment	-	5	(6)	17	35	-	51
Depreciation	-	20	301	1,999	540	-	2,860
Disposals/ written off	-	(24)	(1,232)	(1,413)	(739)	-	(3,408)
At 31 March 2003	-	56	4,328	16,189	2,542	-	23,115
Depreciation for 2002	-	23	354	1,075	682	-	2,134
Net book value							
At 31 March 2003	261	280	2,476	18,929	1,933	359	24,238
At 31 March 2002	444	428	4,655	5,073	1,486	9,687	21,773

The above property, plant and equipment include plant and equipment located in Shanghai with net book value of \$26,000 (2002 : \$11,000).

As at the end of the financial year, the net book value of property, plant and equipment under finance leases amounted to \$170,000 (2002 : \$243,000).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

10. Property, Plant And Equipment, Net (cont'd)

	Leasehold land and buildings	Workshop equipment	Furniture, office equipment and motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
Company				
Cost				
At 1 April 2002	9,081	1,300	2,170	12,551
Additions	22	23	387	432
Disposals/written off	(3,108)	-	(526)	(3,634)
At 31 March 2003	5,995	1,323	2,031	9,349
Accumulated depreciation				
At 1 April 2002	5,103	1,289	1,852	8,244
Depreciation	285	8	188	481
Disposals/written off	(1,232)	-	(451)	(1,683)
At 31 March 2003	4,156	1,297	1,589	7,042
Depreciation for 2002	337	4	347	688
Net book value				
At 31 March 2003	1,839	26	442	2,307
At 31 March 2002	3,978	11	318	4,307

The Group's freehold and leasehold land and buildings are located at:

Location	Description	Area sq. m.	Tenure	2003 Net book value \$'000
Freehold land and buildings				
32 Raynham Street Salisbury Queensland 4107 Australia	Office building and workshop	2,200	Freehold	541
Leasehold land and buildings				
182 Pandan Loop Singapore 128373	Office building and workshop	4,460	30 years lease from 16.9.1979	1,839
3 Hala Jati 10 Taman Meru Industrial Estate Jelapang 30200 Ipoh Perak Malaysia	Office building and workshop	2,732	60 years lease from 6.9.1984	637
Total				2,476

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

11. Subsidiary Companies

	Company	
	2003 \$'000	2002 \$'000
Unquoted shares, at cost:		
At 1 April	28,915	26,864
Subscription of additional shares in a subsidiary company	1,000	2,145
Pre-acquisition dividend setoff against cost of investment	(4,603)	-
Liquidation of a subsidiary company	-	(94)
At 31 March (Note 25)	25,312	28,915
Provision for impairment in value of investments	(9,666)	(8,605)
Net investment in unquoted shares	15,646	20,310
Inter-company indebtedness:		
Amounts owing by subsidiary companies (Trade)	154	201
Amounts owing by subsidiary companies (Non-trade)	10,849	14,788
Provision for amounts owing by subsidiary companies	(1,876)	(1,791)
	9,127	13,198
Loans to subsidiary companies		
- Interest free	3,420	3,920
- Interest bearing	748	-
	13,295	17,118
Amounts owing to subsidiary companies (Trade)	-	(103)
Amounts owing to subsidiary companies (Non-trade)	(5,437)	(8,445)
Loan from a subsidiary company	(1,296)	(1,296)
	6,562	7,274
	22,208	27,584
Analysis of provision for impairment in value of investments:		
At 1 April	(8,605)	(7,051)
Provision during the year	(1,061)	(1,918)
Write back during the year	-	327
Write off during the year	-	37
At 31 March	(9,666)	(8,605)
Analysis of provision for amounts owing by subsidiary companies:		
At 1 April	(1,791)	(1,791)
Provision during the year	(85)	-
At 31 March	(1,876)	(1,791)
By geographical locations:		
Singapore	12,972	20,571
Australia	8,554	6,143
Malaysia	682	870
	22,208	27,584

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

11. Subsidiary Companies (cont'd)

Trade and non-trade amounts owing by/to subsidiary companies and loan from a subsidiary company are unsecured, interest free and no repayments are expected within the next twelve months.

Interest bearing loan to a subsidiary company is unsecured, bears an interest rate of 2% above interbank swap rate at 0.81%, and no repayments are expected within the next twelve months.

Further details regarding subsidiary companies are set out in Note 25.

12. Investments

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Unquoted investments, at cost	685	685	685	685
Provision for diminution in value of unquoted investments	(685)	-	(685)	-
	-	685	-	685
Quoted investments, at cost	2,813	-	-	-
	2,813	685	-	685
Analysis of provision for diminution in value of unquoted investments:				
At 1 April	-	(13)	-	(13)
Provision during the year	(685)	-	(685)	-
Disposal of investments	-	13	-	13
At 31 March	(685)	-	(685)	-
Market value of quoted investments as at 31 March	1,901	-	-	-
Market value of quoted investments as at latest practicable date	2,918	-	-	-

No provision for diminution in value has been made for the quoted equity shares as at 31 March 2003 as the Directors are of the opinion that the shortfall in market value is not permanent.

13. Other Receivables

These are interest free loans extended to Directors of subsidiary companies and the management staff of the Company and the Group to purchase cars. These loans shall be repaid by monthly instalments over seven years with the last repayment due in year 2010. The Directors of the subsidiary companies and the management staff concerned had entered into agreements with the Company and the Group to assign all rights of ownership of the cars to the Company and the Group until full settlement of the loans. The current portion of these loans is disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

14. Inventories And Work-in-progress

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Inventories and work-in-progress, net:				
<i>First-in-first-out basis</i>				
- Finished goods	-	95	-	-
- Raw materials	266	273	-	-
- Work-in-progress	1,165	2,900	-	-
- Engines and spares	161	962	-	-
- Goods-in-transit	-	30	-	-
	1,592	4,260	-	-
<i>Weighted average basis</i>				
- Finished goods	4,037	2,183	-	-
- Goods-in-transit	39	67	-	-
	4,076	2,250	-	-
	5,668	6,510	-	-
Finished goods, raw materials and engines and spares are stated after deducting a provision for obsolescence of:				
- first-in-first-out basis	200	403	-	-
- weighted average basis	-	97	-	-
	200	500	-	-
Analysis of provision for obsolescence of inventories:				
At 1 April	500	1,530	-	1,386
Currency realignment	9	1	-	-
Charge/(write back) to profit and loss account, net	-	379	-	(24)
Inventories written off	(309)	(1,410)	-	(1,362)
At 31 March	200	500	-	-
Inventories written off directly to profit and loss account	104	47	-	-

15. Receivables

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Trade receivables	11,489	9,345	-	-
Advances to suppliers	-	28	-	-
Sundry deposits	49	58	5	19
Prepayments	85	191	23	13
Rental receivable	289	296	289	296
Sundry receivables *	2,186	149	26	5
Staff loans, current (Note 13)	94	128	27	75
Tax recoverable	303	579	303	579
	14,495	10,774	673	987
Trade receivables are stated after deducting provision for doubtful debts of	562	560	113	113

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

15.Receivables (cont'd)

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Analysis of provision for doubtful debts:				
At 1 April	560	511	113	249
Currency realignment	2	2	-	-
Charge/(write back) to profit and loss account, net				
- Specific	57	96	-	(112)
- General	(38)	59	-	(24)
Bad debts written off	(19)	(108)	-	-
At 31 March	562	560	113	113
Bad debts written off directly to profit and loss account	15	69	-	68

* The sundry receivables include an amount of \$2,007,000 relating to an insurance claim receivable for the loss of a submersible remotely operated vehicle unit belonging to a subsidiary company, MTQ Subsea Technology Pte Ltd (Note 23).

16.Payables: Amounts Falling Due Within One Year

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Bank overdraft, secured	969	369	-	-
Short term bank loans, secured	2,600	1,320	-	-
Long term bank loans, secured - current portion (Note 17)	2,566	1,904	-	-
Trade payables	6,441	7,221	53	193
Finance lease payables	70	95	-	-
Sundry payables	1,392	1,191	212	410
Accruals for staff related costs	2,587	2,193	508	384
Provision for taxation	470	270	-	-
Loan from minority shareholder of a subsidiary company	830	400	-	-
	17,925	14,963	773	987

The secured bank overdraft and short term bank loans relate to facilities utilised by a subsidiary company which is secured by a floating charge over its assets, corporate guarantees from its wholly owned subsidiary company as well as the Company, and personal guarantee from a minority shareholder of the subsidiary company.

The bank overdraft bears interest at 1% (2002 : 1%) above the bank's prime lending rate ranging from 5% to 5.25% (2002 : 5% to 5.5%).

The secured short term bank loans are 90-day revolving loans which bear interest at 2% (2002 : 2%) above Swap rate which ranges from 0.75% to 1.36% (2002 : 0.95% to 1.23%).

The loan from a minority shareholder of a subsidiary company is unsecured, has no fixed terms of repayment and interest free, except for an amount of \$200,000 which bears interest from 2.759% to 2.806% (2002 : nil%).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

16. Payables: Amounts Falling Due Within One Year (cont'd)

Finance lease commitments

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	2003 \$'000	2003 \$'000	2002 \$'000	2002 \$'000
Group				
Within one year	74	70	106	95
After one year but not more than five years	1	1	73	66
Total minimum lease payments	75	71	179	161
Less : Amounts representing finance charges	(4)	-	(18)	-
Present value of minimum lease payments	71	71	161	161

17. Payables: Amounts Falling Due After One Year

	Group	
	2003 \$'000	2002 \$'000
Finance lease payables (Note 16)	1	66
Long term bank loans, secured	10,120	3,562
	10,121	3,628

Long term bank loans relate to term loans granted to three subsidiary companies as follows:-

(i) Term loan of \$6,812,000 granted to a subsidiary company, of which \$5,806,000 falls due after one year, is secured by the following:-

- simple deposit of title deed over the subsidiary company's property at Raynham St. Salisbury, Queensland, Australia, with a net book value of \$541,000 as at 31 March 2003;
- legal assignment of the sale proceeds of the aforementioned property to the bank;
- legal charge over the subsidiary company's quoted investment;
- corporate guarantee from the Company; and
- pledge of fixed deposit of \$2,280,000 (approximately A\$2,000,000).

The loan matures in October 2008, and is repayable in full over 66 monthly instalments commencing April 2003.

The loan bears interest at 2% above the 30-day bank's bill rate ranging from 5% to 7%.

(ii) Term loans of \$3,570,000 granted to a subsidiary company, of which \$2,010,000 falls due after one year, are secured by the following:-

- floating charge over its assets;
- corporate guarantees from a subsidiary company and the Company;
- personal guarantee from a minority shareholder of the subsidiary company; and
- subordinate loan agreements from the Company and a minority shareholder of the subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

17. Payables: Amounts Falling Due After One Year (cont'd)

- (ii) Subsequent to the year end, the subsidiary company entered into an agreement with the creditor bank to reschedule the loan repayment terms. Consequently, \$1,200,000 of the current portion of these long term loans as at 31 March 2003 will not be repayable in the next 12 months. The rescheduled arrangement requires the loans to be repaid over 5 years as follows:-

	\$'000
FY 2004	360
FY 2005	520
FY 2006	800
FY 2007	1,050
FY 2008	840
	3,570
	3,570

The loans bear interest at 0.25% above the bank's prime lending rate ranging from 5% to 5.25% (2002 : 5% to 5.5%).

- (iii) Term loan of \$2,304,000 granted to a subsidiary company, the entire of which falls due after one year, is secured by the following:-

- fixed charge on certain workshop equipment with a net book value of \$2,321,000 purchased under the loan facility agreement;
- corporate guarantee provided by the Company; and
- subordinate loan agreement from the Company.

The loan matures on 31 December 2005, and is repayable on a semi-annual basis commencing June 2004.

The loan bears interest at 2% above the bank's 0.75% cost of funds.

18. Deferred Tax Liabilities/(Assets)

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
At 1 April	494	821	725	821
Currency realignment	(24)	-	-	-
Released during the year	(398)	(327)	(541)	(96)
At 31 March	72	494	184	725
Deferred tax liabilities				
Excess of net book value over tax written down value of property, plant and equipment	339	690	142	654
Other timing differences	273	113	64	71
	612	803	206	725
Deferred tax assets				
Unabsorbed capital allowances and tax losses	(142)	(37)	-	-
Other timing differences	(398)	(272)	(22)	-
	(540)	(309)	(22)	-
	72	494	184	725

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

18. Deferred Tax Liabilities/(Assets) (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The net amounts determined after appropriate offsetting are shown in the balance sheets as follows:

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Deferred tax assets	(297)	(248)	-	-
Deferred tax liabilities	369	742	184	725
	72	494	184	725

19. Share Capital

	Group and Company	
	2003 \$'000	2002 \$'000
Authorised:		
120,000,000 ordinary shares of \$0.25 each	30,000	30,000
Issued and fully-paid:		
79,200,000 ordinary shares of \$0.25 each	19,800	19,800

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

20. Reserves

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Retained earnings	8,845	5,622	10,697	13,653
Foreign currency translation reserve	701	568	-	-
Share premium	1,944	1,944	1,944	1,944
	11,490	8,134	12,641	15,597

21. Dividends

	Group and Company	
	2003 \$'000	2002 \$'000
Paid in respect of the previous financial year:		
- First and final dividend of 5%, less tax	772	747
- Special dividend of 5%, less tax	772	-
Paid in respect of the current financial year:		
- Interim dividend of 4%, less tax	618	-
	2,162	747

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

21. Dividends (cont'd)

	Group and Company	
	2003 \$'000	2002 \$'000
After the balance sheet date, the Directors proposed the following dividends:		
Final dividend of 6%, less tax	926	-
First and final dividend of 5%, less tax	-	772
Special dividend of 5%, less tax	-	772
	<u>926</u>	<u>1,544</u>

The dividends will be recorded as a liability on the balance sheets of the Company and the Group upon approval of the shareholders at the next annual general meeting of the Company.

22. Cash And Cash Equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts :

	Group	
	2003 \$'000	2002 \$'000
Cash at bank and in hand	2,980	5,849
Fixed deposits	7,705	2,032
	<u>10,685</u>	<u>7,881</u>

23. Commitments And Contingencies

Operating leases

The Group leases certain property under lease agreements that are non-cancellable within a year. The leases expire at various dates till year 2009 and contain provision for rental adjustments. Future minimum lease payments for all leases with initial or remaining terms of one year or more are as follows :

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Within one year	967	296	201	254
After one year but not more than five years	3,227	1,247	859	1,206
More than five years	346	1,244	346	1,244
	<u>4,540</u>	<u>2,787</u>	<u>1,406</u>	<u>2,704</u>

Other commitment

There is a non-cancellable Consultancy Agreement where a subsidiary company has to pay a fee of A\$456,000 (approximately \$479,000) per annum for consultancy services. The consultancy fee is to be paid by the subsidiary company half-yearly over 5 years with the last payment due on 29 May 2004. In the event where the subsidiary company sells or disposes its business, or the Company ceases to hold at least 50% of the issued shares of the subsidiary company, the whole of the balance of the consultancy fee in respect of the remainder of the term of the Consultancy Agreement is payable. The consultancy fees are based on a commercial basis.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

23. Commitments And Contingencies (cont'd)

Contingent liabilities

	\$'000
Insurance claim relating to the loss of an asset of a subsidiary company #	2,007
Corporate guarantees given by the Company to banks for facilities extended to subsidiary companies (2002: \$10,780,000)	17,937
	<u>19,944</u>

This relates to the loss of a submersible remotely operated vehicle ("ROV") unit belonging to a subsidiary company, MTQ Subsea Technology Pte Ltd ("MTQ Subsea"), during an undersea operation. The ROV unit is a part of a complete ROV system which was engaged for the operation. The lost unit is fully insured. The insurers have however disputed MTQ Subsea's claim and MTQ Subsea is currently seeking specialist insurance legal advice on the matter. The impact of this dispute is uncertain at this time and will depend on the outcome of negotiations and/or legal proceedings.

Capital expenditure

As at 31 March 2003, the Group has commitments in respect of capital expenditure authorised but not committed of \$2,302,000 (2002 : \$6,886,000).

24. Information By Segment On Group's Operations

The Group's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different industries as follows:

- (i) Oilfield and marine
Provides engineering services for the reconditioning of oilfield equipment such as valves and blow-out preventers in the oil and gas industry. Prior to the disposal of marine segment in May 2002, the Group had also provided marine repair services.
- (ii) Turbocharger and fuel injection
Provides sales and servicing of small frame turbochargers, large frame turbochargers, as well as supplying and installing turbocharger kits for diesel four-wheel drive vehicles. The turbochargers serviced are found in a wide range of vehicles and machinery, including trucks, earth moving equipment, agricultural machinery, marine vessels, generator sets, and railway equipment. The segment also distributes fuel injection parts in certain parts of Australia.
- (iii) Subsea robotics
Engages in designing, manufacturing and leasing of remotely operated vehicles (ROVs) for subsea operations. This segment operates mainly in the North Sea, Asia and West African region. Its ROV fleet comprises 2 observation class, 2 light work class, 1 heavy work class, and 2 mid-range ROVs.
- (iv) Trading
Distributes marine and industrial products and services. This business was disposed of in March 2001.
- (v) Foundry
Foundry operations in Ipoh, Malaysia, was wound down in June 2001.

Inter-segment sales are based on terms determined on a commercial basis.

Revenues are attributed to geographical areas based on the location of the assets producing the revenues.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

24. Information By Segment On Group's Operations (cont'd)

By industrial segments

2003	Oilfield and marine	Turbo- charger and fuel injection	Subsea robotics	Trading	Foundry	Elimination	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue and expenses							
External sales	17,903	23,218	6,909	-	-	-	48,030
Segment results	1,273	1,912	(474)	49	(77)	376	3,059
Finance costs							(633)
Gain on disposition							3,484
Taxation							(760)
Minority interests							235
Net profit attributable to shareholders							<u>5,385</u>
Assets and liabilities							
Segment assets	26,068	18,256	15,030	5,699	(129)	(4,849)	60,075
Deferred tax assets							297
Tax recoverable							303
Total assets							<u>60,675</u>
Segment liabilities	(3,151)	(3,806)	(4,177)	(106)	(10)	-	(11,250)
Deferred tax liabilities							(369)
Provision for taxation							(470)
Bank borrowings							(16,255)
Finance lease payables							(71)
Total liabilities							<u>(28,415)</u>
Other segmental information							
Capital expenditure	3,086	951	5,795	-	-	-	9,832
Depreciation	1,043	370	1,417	-	16	14	2,860
Other non-cash (income)/expenses	(2,890)	144	-	-	-	6	(2,740)

By geographical segments

2003	Singapore	Australia	Malaysia	United Kingdom	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External sales	19,725	23,218	-	5,087	48,030
Segment assets	36,052	13,399	(129)	10,753	60,075
Capital expenditure	6,689	951	-	2,192	9,832

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

24. Information By Segment On Group's Operations (cont'd)

By industrial segments

2002	Oilfield and marine	Turbo- charger and fuel injection	Subsea robotics	Trading	Foundry	Elimination	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue and expenses							
External sales	24,007	16,073	1,846	23	463	-	42,412
Inter-segment sales	514	-	-	-	79	(593)	-
Total sales	24,521	16,073	1,846	23	542	(593)	42,412
Segment results	2,018	1,174	(707)	564	(495)	(505)	2,049
Finance costs							(357)
Gain on disposition							1
Taxation							(434)
Minority interests							222
Net profit attributable to shareholders							1,481
Assets and liabilities							
Segment assets	19,531	11,599	10,604	10,452	(55)	(4,797)	47,334
Deferred tax assets							248
Tax recoverable							579
Total assets							48,161
Segment liabilities	(4,734)	(2,637)	(3,325)	(300)	(9)	-	(11,005)
Deferred tax liabilities							(742)
Provision for taxation							(270)
Bank borrowings							(7,155)
Finance lease payables							(161)
Total liabilities							(19,333)
Other segmental information							
Capital expenditure	361	289	10,097	-	-	-	10,747
Depreciation	1,451	294	409	-	71	(91)	2,134
Impairment loss	170	-	-	-	-	-	170
Other non-cash (income)/ expenses	(3)	6	-	(898)	(95)	903	(87)

By geographical segments

2002	Singapore	Australia	Malaysia	United Kingdom	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External sales	24,030	16,073	463	1,846	42,412
Segment assets	38,441	6,871	(55)	2,077	47,334
Capital expenditure	7,425	289	-	3,033	10,747

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

25. Subsidiary Companies

The subsidiary companies as at 31 March are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
		2003 \$'000	2002 \$'000	2003 %	2002 %
Subsidiary companies:					
Unquoted equity shares held by the Company:					
MTQ Services Pte. Ltd. (formerly known as Aqua-Terra Supply Company Private Limited) (Republic of Singapore)	Inactive (Republic of Singapore)	6,112	10,715	100	100
Metsing - Fabrico De Componentes De Maquinaria Diesel E Industrial, Limitada (Portugal)	In voluntary liquidation (Portugal)	2,156	2,156	90	90
MTQ Engineering Pte Ltd (Republic of Singapore)	Providing engineering services in oil and gas industry (Republic of Singapore)	1,312	1,312	100	100
Metalock Oilfield Services Pte Ltd (Republic of Singapore)	Inactive (Republic of Singapore)	542	542	100	100
MTQ Engine Systems (Aust) Pty Ltd # (formerly known as Dynamic Turbocharger Services (Australia) Pty Ltd) (Australia)	Sales and servicing of turbochargers; sales of fuel injection parts (Australia)	5,295	5,295	100	100
Metalock Castings Sdn Bhd @ (Malaysia)	Inactive (Malaysia)	5,858	5,858	99.9	99.9
Metalock Engineering Pte Ltd (Republic of Singapore)	Inactive (Republic of Singapore)	37	37	100	100
MTQ Subsea Technology Pte Ltd (Republic of Singapore)	Designing and building of subsea robotics (Republic of Singapore)	4,000	3,000	72.7	71.4
		25,312	28,915		
Unquoted equity shares held by a subsidiary company of the Company:					
MTQ Subsea Limited * (United Kingdom)	Operation of subsea robotics (United Kingdom)	1,734	901	72.7	71.4
Dynamic Turbocharger Services (Australia) Pty Ltd ** (Australia)	Inactive (Australia)	105	-	100	-

Audited by Ernst & Young, Australia

@ Audited by Ernst & Young, Malaysia

* Audited by Ernst & Young, United Kingdom

** Not required to be audited by the law in its country of incorporation

Except otherwise indicated, the above subsidiary companies are audited by Ernst & Young, Singapore.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

26. Employee Benefits - Share Options

The Company

The Metalock Executives' Share Option Scheme (the "Previous Scheme") for Directors and executives which was approved on 8 August 2000, was replaced by a new option scheme known as The MTQ Corporation Executives' Share Option Scheme 2003 (the "Scheme") upon shareholders' approval on 14 April 2003.

Unlike the Previous Scheme, the Scheme allows for the participation of executives who meet the eligibility criteria but who are also controlling shareholders. Associates of the controlling shareholders are not eligible to participate in the Scheme. Although the Previous Scheme is replaced by the Scheme, any subsisting and outstanding share options granted under the Previous Scheme continue to be exercisable in accordance with the terms of the Previous Scheme.

Movements in the number of share options held under the Previous Scheme are as follows:

	No. of options 2003	Exercise price per share as at 31.3.2003	No. of options 2002	Exercise price per share as at 31.3.2002
At 1 April	1,850,000	\$ 0.30	2,850,000	\$ 0.30
Granted	-	-	-	-
Cancelled	(495,000)	\$ 0.30	(1,000,000)	\$ 0.30
At 31 March	<u>1,355,000</u>	<u>\$ 0.30</u>	<u>1,850,000</u>	<u>\$ 0.30</u>

The following table summarises information about options outstanding and exercisable as at 31 March 2003 to subscribe for ordinary shares of \$0.25 each in the Company:

Outstanding			Exercisable		
Date of grant	No. of options	Exercise price per share	Exercise period		No. of options
			From	To	
15 October 2000	1,155,000	\$ 0.30	16 October 2002	15 October 2010	1,155,000
15 October 2000	200,000	\$ 0.30	16 October 2002	15 October 2005	200,000
	<u>1,355,000</u>				<u>1,355,000</u>

During the financial year, no options in respect of unissued ordinary shares in the Company were granted under the Scheme.

Subsidiary company

The MTQ Subsea Technology Pte Ltd Share Option Scheme for Executive Directors and senior executives was approved on 21 June 2000.

	No. of options 2003	Weighted average exercise price per share as a 31.3.2003	No. of options 2002	Weighted average exercise price per share as a 31.3.2002
At 1 April	675,000	\$ 1.10	765,000	\$ 1.05
Granted	-	-	-	-
Exercised	-	-	(90,000)	\$ 1.05
At 31 March	<u>675,000</u>	<u>\$ 1.10</u>	<u>675,000</u>	<u>\$ 1.05</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

26. Employee Benefits - Share Options (cont'd)

The following table summarises information about options outstanding and exercisable as at 31 March 2003 to subscribe for ordinary shares of \$1 each in the subsidiary company:

Outstanding			Exercisable		
Date of grant	No. of options	Exercise price per share	Exercise period		No. of options
			From	To	
21 June 2000	45,000	\$1.00 - \$1.20	21 June 2000	21 June 2010	45,000
1 July 2000	230,000	\$1.00 - \$1.20	1 July 2000	1 July 2010	230,000
3 July 2000	225,000	\$1.00 - \$1.20	3 July 2000	3 July 2010	225,000
10 July 2000	85,000	\$1.00 - \$1.20	10 July 2000	10 July 2010	85,000
1 August 2000	90,000	\$1.00 - \$1.20	1 August 2000	1 August 2010	90,000
	675,000				675,000

27. Discontinuing Operations

Sale of marine repair services and trading of marine spare parts business

On 20 May 2002, the Group's wholly owned subsidiary company, MTQ Engineering Pte Ltd, completed the sale of its assets relating to the marine repair services and trading of marine spare parts business ("Assets") to Ciserv Singapore Pte Ltd ("Ciserv") for a consideration, net of costs, of \$4,804,000.

Concurrently, the Company had also sold its property at 27 Gul Drive, Singapore 629475 which housed the marine repair services and trading of marine spare parts business to Ciserv for a consideration, net of costs, of \$2,994,000.

The carrying amount of the net assets disposed of/to be disposed of are as follows:

	Group		Company	
	At date of disposal \$'000	At 31.3.2002 \$'000	At date of disposal \$'000	At 31.3.2002 \$'000
Total assets	4,419	4,701	1,876	1,882
Total liabilities	(105)	-	-	-
Net assets	4,314	4,701	1,876	1,882

The net cash flows attributable to the marine repair services and trading of marine spare parts operation are as follows:

	Group	
	2003 \$'000	2002 \$'000
Operating	1,045	1,891
Investing	-	(415)
Financing	2	60
Net cash inflows	1,047	1,536

The entire net consideration of \$7,798,000 for the above sale of Assets has been received in full.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

28. Subsequent Events

(a) Change of name

With effect from 28 April 2003, the Company changed its name from Metalock (Singapore) Limited to MTQ Corporation Limited.

(b) On-market bid for RCR Tomlinson Limited ("RCR")

On 1 April 2003, the Group acquired additional 1,274,001 ordinary shares in the share capital of RCR at A\$0.18 per share for a total consideration of A\$229,320 (approximately \$240,000) pursuant to an on-market purchase on the Australian Stock Exchange on a "willing buyer and willing seller" basis. The transaction increased the Group's equity interest in RCR from 19.9% to 22.9%.

On 1 May 2003, the Group announced that it will launch an on-market bid for all those fully paid ordinary shares in RCR that the Group does not already hold at an offer price of A\$0.25 cash per share. A wholly owned subsidiary company, MTQ Holdings Pty Ltd (the "Bidder"), was incorporated in Australia for this purpose. The maximum amount payable by the Bidder, if all the offers are accepted, is approximately A\$8,537,372 (approximately \$8,947,000) (excluding transaction costs).

RCR is a leading multi-disciplined engineering company in Western Australia. Leveraging on its technical expertise and relevant experience, the Group believes it can assist RCR in achieving significant growth in its operations, particularly in the provision of engineering services to the oil and gas industry.

The offer period commenced on 16 May 2003 and expires on 16 June 2003.

29. Financial Risk Management Objectives And Policies

The main risks arising from the Company's and the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

Interest rate risk is the risk that changes in interest rate will have an adverse financial effect on the Group's financial conditions and/or results.

The Group's exposure to market risk for changes in interest rate environment relates mainly to its investment in financial products and debt obligations.

The investment in financial products are mainly short term in nature and they are not held or issued for trading or speculative purposes but were mainly placed in cash at bank, or fixed deposits which yield better returns than cash at bank.

The Group manages its interest rate exposure through active reviews of its debt portfolio, taking into account the nature of its underlying assets and the investment holding period. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve certain level of protection against rate hikes.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash or cash convertible investments to meet its working capital requirement. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group will constantly raise committed funding from both capital markets and financial institutions and prudently balance its portfolio with some short term funding so as to achieve overall cost effectiveness.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

(In Singapore dollars)

29. Financial Risk Management Objectives And Policies (cont'd)

Foreign currency risk

Foreign currency risk arises from a change in foreign currency exchange rate which may have adverse effects on the Group in the current reporting period and in future years.

The Group is exposed to foreign currency exchange fluctuations mainly in Australian dollars, Euros, Sterling pounds, Japanese yen and US dollars.

The Group maintains a natural hedge, wherever possible, by matching the foreign currencies assets against its debts.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. In relation to its overseas investments in its foreign subsidiary companies whose net assets are exposed to currency translation risk and which are held for long term investment purposes, the differences arising from such translation are captured under the foreign currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

Credit risk

Credit risk is the risk that companies and other parties will be unable to meet their obligations to the Group resulting in financial loss to the Group.

It is the Group's policy to enter into financial instruments with creditworthy counterparties. Surplus funds are placed with reputable financial institutions.

The trade and other receivables represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk. The Group has no significant concentration of credit risk.

Fair values

The carrying amounts of trade and other receivables, cash and cash equivalents, trade and other payables and short term borrowings approximate their fair values due to their short term nature.

The carrying amounts of long term unquoted equity investments are stated at cost, net of provision for diminution. The fair values of these investments are expected to be above their carrying amounts.

The carrying amount of long term borrowings approximates their fair values as these instruments bear interest at floating rates.

30. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

31. Authorisation For Issue Of Financial Statements

The financial statements of MTQ Corporation Limited and its subsidiary companies for the financial year ended 31 March 2003 were authorised for issue in accordance with a resolution of the Directors on 23 May 2003.

STATISTICS OF SHAREHOLDINGS

As at 12 May 2003

Authorised Share Capital	: 120,000,000 Ordinary Shares of \$0.25 each
Issued and Fully Paid-up Capital	: 79,200,000 Ordinary Shares of \$0.25 each
Voting Rights	: One Vote Per Share

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1- 999	7	0.59	2,868	0.00
1,000 - 10,000	897	75.38	4,422,548	5.58
10,001 - 1,000,000	275	23.11	13,128,932	16.58
1,000,001 & Above	11	0.92	61,645,652	77.84
Total	1,190	100.00	79,200,000	100.00

Top Twenty Shareholders	No. of Shares	%
Kurt R M Lindblad	17,887,652	22.59
HSBC (Singapore) Nominees Pte Ltd	15,713,000	19.84
DBS Nominees Pte Ltd	5,879,000	7.42
Singapore Warehouse Company (Private) Limited	5,500,000	6.94
HSBC Republic Bank (Suisse) SA	4,090,000	5.16
UOB Kay Hian Pte Ltd	3,983,000	5.03
United Overseas Bank Nominees Pte Ltd	2,970,000	3.75
Citibank Nominees Singapore Pte Ltd	1,917,000	2.42
Francis James Reidy	1,375,000	1.74
Oversea Chinese Bank Nominees Pte Ltd	1,168,000	1.47
Tan Kah Boh Robert	1,163,000	1.47
Keppel Investment Ltd	850,000	1.07
Raffles Nominees Pte Ltd	695,000	0.88
Lim Chye Huat @ Bobby Lim Chye Huat	649,000	0.82
Lock Hong Cheong	522,492	0.66
Hong Leong Finance Nominees Pte Ltd	360,000	0.45
OCBC Securities Private Ltd	355,000	0.45
Phillip Securities Pte Ltd	348,000	0.44
Ng Siew Luan	330,000	0.42
Amex Nominees (S) Pte Ltd	300,000	0.38
Total	66,055,144	83.40

STATISTICS OF SHAREHOLDINGS

As at 12 May 2003

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Kuah Kok Kim	30,000	0.04	18,570,000	23.45
Lim Kah Tee *	-	-	18,600,000 *	23.48
Kurt R M Lindblad	17,887,652	22.59	-	-
Singapore Warehouse Company (Private) Limited	5,500,000	6.94	-	-
Hwa Hong Corporation Limited #	-	-	5,500,000 #	6.94
Ong Holdings (Private) Limited ^	-	-	5,500,000 ^	6.94

Notes:

* Mdm Lim Kah Tee is the wife of Mr Kuah Kok Kim.

Singapore Warehouse Company (Private) Limited is a wholly owned subsidiary company of Hwa Hong Corporation Limited.

^ By virtue that Ong Holdings (Private) Limited holds not less than 15% shares in Hwa Hong Corporation Limited.

As at 12 May 2003, 41.92% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 34th Annual General Meeting of the Company will be held at Carlton Hotel, Connaught Room, Level 2, Singapore 189558 on Friday, 20 June 2003 at 10:00 a.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 March 2003 together with the Auditors' Report thereon.

(Resolution 1)

2. To declare a final dividend of 6% less tax (\$0.015 per ordinary share less tax) for the year ended 31 March 2003.

(Resolution 2)

3. To re-elect the following Directors retiring pursuant to Article 91 of the Company's Articles of Association:-

Mr Kuah Kok Kim
Mr Ong Choo Eng

(Resolution 3)

(Resolution 4)

Mr Ong Choo Eng, a non-executive Director, will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To re-appoint Ernst & Young as auditors of the Company and to authorise the Directors to fix their remuneration.

(Resolution 5)

5. To transact any other business that may be transacted at an Annual General Meeting.

As Special Business

6. To approve the payment of directors' fees of \$115,000 (2002: \$103,750) for the year ended 31 March 2003.

(Resolution 6)

7. To approve the payment of directors' fees of \$165,000 for the year ending 31 March 2004, to be paid quarterly in arrears. [See Explanatory Note (i)]

(Resolution 7)

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

8. Authority to allot and issue shares up to 50 per centum (50%) of issued capital

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of passing of this resolution, of which the aggregate number of shares to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (ii)]

(Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

9. Authority to allot and issue shares under The MTQ Corporation Executives' Share Option Scheme 2003

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under The MTQ Corporation Executives' Share Option Scheme 2003 ("the Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued share capital of the Company for the time being. [See Explanatory Note (iii)]

(Resolution 9)

By Order of the Board

Fong Choon Seng
Loh Shu Chun
Joint Company Secretaries

Singapore
4 June 2003

Explanatory Notes:

- (i) The Ordinary Resolution 7 proposed under item 7, if passed, will authorise the Directors of the Company to pay directors' fees for the year ending 31 March 2004 to non-executive Directors quarterly in arrears.
- (ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors from the date of the above meeting until the date of the next Annual General Meeting, to allot and issue shares in the Company. The number of shares that the Directors may allot and issue under this Resolution would not exceed fifty per centum (50%) of the issued capital of the Company at the time of passing this resolution. For issue of shares other than on a pro-rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed twenty per centum (20%) of the issued capital of the Company.

The percentage of issued capital is based on the Company's issued capital after adjusting for new shares arising from the exercise of employee share options in issue at the time the proposed Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

- (iii) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company, from the date of the above meeting until the next Annual General Meeting, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued share capital of the Company for the time being pursuant to the exercise of the options under the Scheme.

NOTES:

A member of the Company entitled to attend and vote may appoint a proxy or proxies to attend and vote in his place. A Proxy need not be a member of the Company.

A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

The instrument appointing a proxy must be deposited at 182 Pandan Loop, Singapore 128373, not less than 48 hours before the time fixed for the holding of the meeting.



MTQ Corporation Limited
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____
of _____
being a member/members of MTQ Corporation Limited (the "Company"), hereby appoint _____
of _____
or, failing him/her, _____
of _____
as my/our proxy to vote for me/us on my/our behalf at the 34th Annual General Meeting (the "Meeting") of the Company to be held at Carlton Hotel, Connaught Room, Level 2, Singapore 189558 on Friday, 20 June 2003 at 10:00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
1	Directors' Report and Accounts for the year ended 31 March 2003		
2	Declaration of a final dividend		
3	Re-election of Mr Kuah Kok Kim as a Director		
4	Re-election of Mr Ong Choo Eng as a Director		
5	Re-appointment of Ernst & Young as Auditors		
6	Approval of directors' fees for the year ended 31 March 2003		
7	Approval of directors' fees for the year ending 31 March 2004		
8	Authority to allot and issue new shares		
9	Authority to allot and issue shares under The MTQ Corporation Executives' Share Option Scheme 2003		

(Please indicate with a cross [X] in the boxes provided above whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting.)

Dated this _____ day of _____ 2003

Signature of Shareholder(s)/
Common Seal of Corporate Shareholder

Total number of Shares in	No. of Shares
(a) CDP Register	
(b) Register of Members	

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 130A of the Companies Act, Cap 50 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 a proxy or proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number 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. 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 Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his 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.
6. 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, Cap 50 of Singapore.

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 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**Affix
Postage
Stamp**

**The Secretary
MTQ Corporation Limited
182 Pandan Loop
Singapore 128373**

A New Horizon: MTQ Annual Report 2003

We hope you have enjoyed our Annual Report 2002/2003 "A New Horizon". We will strive to continuously improve, both in term of disclosure and presentation, in our future annual reports. We would appreciate it if you could take a few minutes to give us your views, via fax (65 6777 6433) or mail, on this annual report by completing this survey.

Mailing address:

MTQ Corporation Limited

182 Pandan Loop Singapore 128373

Rankings: 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree

Contents		1	2	3	4	5
1	The contents of annual report are useful and meet my information needs.					
2	The financial information provided is sufficient for me to have a reasonable understanding of MTQ's financial performance.					
3	The business review and other information give a good insight into MTQ's core businesses.					
4	The corporate governance (CG) report provides significant disclosure on MTQ's CG policies and practices.					

Presentation		1	2	3	4	5
5	The design of the annual report is creative and attractive.					
6	The contents are laid out in a logical and easy-to-refer order.					
7	The size of the annual report is user-friendly.					
8	The typeface (size of letters) is easy to read.					

Overall Impression		1	2	3	4	5
9	The annual report reflects the stature of a regional Group.					

Other Information	
10	What other information (financial or non-financial) would you like to be included in our next annual report?
11	Do you have any suggestions to make for our next annual report? Content: Presentation: Overall:
12	(Please circle) I am a: Shareholder / Analyst / Journalist / Staff / Customer/ Others:

**Affix
Postage
Stamp**

**The Secretary
MTQ Corporation Limited
182 Pandan Loop
Singapore 128373**