



MIQ
MTQ Corporation Limited
Co. Reg. No. 196900057Z

ANNUAL REPORT 2004/2005



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.

C★RE VALUES

S incere
T ransparent
A lert
R esponsible



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The Group's FY2005 results were marred by the continual dismal performance of its Subsea Robotics division. In spite of a 7% increase in turnover from S\$52.7million to S\$56.4million, the Group ended the year with a net loss of S\$2.0million. This resulted mainly from the loss of S\$7.0million incurred by the Subsea Robotics division after a S\$5.1million impairment provision made in respect of its ROV assets and a hefty S\$2.0million depreciation charge.

SUBSEA ROBOTICS DIVISION

Notwithstanding the various cost cutting measures and the relocation of its fleet to Asia and Middle East, the overall performance of Subsea Robotics division remained disappointing as utilisation continued to stay low. The division had also been unsuccessful in its attempts to expand its service range, through strategic alliances with other established subsea service providers.

In view of limitations in its ability to turnaround its fleet operation under the prevailing market environment, the division will now consider divestment of its ROV fleet. A S\$5.1million provision for impairment has been made to write down the value of its ROV fleet to its estimated realisable value based on indicative offers received.

The division is now actively exploring the feasibility of leveraging on its engineering competency and intellectual property to design and manufacture equipment and accessories for the subsea engineering sector.

OILFIELD ENGINEERING DIVISION

Benefiting from the upturn in oil and gas exploration activities, Oilfield Engineering division bettered its performance significantly. The expansion into leasing of oilfield equipment also reaped positive results. The division achieved a 17% leap in revenue from previous financial year and upped its earnings by 208%.

The demand for repair services and component manufacturing remains promising and is likely to be sustained for the next few years. To keep up with increasing work volumes, significant capital investments will be made to enhance our workshop capabilities and increase its capacity to take on complementary activities. While the division may not enjoy immediate positive impact from these new investments due to delivery lead times, the division is likely to steer its performance to a higher level in the new financial year through improvement in efficiency, employee skill sets and work methods.

ENGINE SYSTEMS DIVISION

The on-going business integration exercise in the Engine Systems division had an acute impact on the division's performance in FY2005 as significant management time and resources were diverted away from the day-to-day operations. Severe competitive pressures on the turbocharger business also depressed its earnings. In spite of a marginal 3% increase in revenue to S\$33.7million, the division registered a small loss for the financial year ended 31 March 2005.

“... the Group ended the year with a net loss of S\$2.0million... after a S\$5.1million impairment provision ...”

Notwithstanding the short term impact on its results, substantial benefits will be realised upon completion of the integration program in this financial year, which will see separate business units functioning on a common operating platform.

Meanwhile, our maiden efforts to replicate this business operation in Asia, through the establishment of an operating outfit in Surabaya, has progressed satisfactorily. Although the Indonesian operations has not contributed positively to the Group, it has witnessed growing work volumes and repeat patronage from quality conscious customers.

RCR TOMLINSON LIMITED

Our associate registered a sterling performance during the year, allowing the Group to enjoy a 157% growth in its share of associate's earnings. Given the buoyant resource sector in Australia as well as additional contributions derived from its recent acquisitions, the associate is expected to surpass its performance in the last financial year. Upon recognition of the revised accounting standard FRS103 – Business Combinations in FY2006, the Group will no longer take up any credits to its profit & loss arising from the recognition of negative goodwill included in its existing investment in RCR.

The Group's interest in RCR was diluted from 28% to 22% after a share placement exercise carried out by RCR in December 2004.

GOING FORWARD

We are confident that a successful divestment of the ROV fleet can be achieved within this financial year. This will reduce the Group's gearing substantially and allow resources to be more profitably directed towards expansion opportunities available in the Group's other core activities. Barring unforeseen circumstances, the Group is expected to return to profitability in the new financial year.

DIVIDENDS

The Group had declared an interim dividend of 4% less tax which was paid during FY2005. In addition, the Board is proposing to pay a final dividend of 6% less tax, subject to shareholders' approval at the forthcoming Annual General Meeting.

ACKNOWLEDGEMENT

Once again I would like to apologise to our shareholders for the under-performance of the subsea robotics business. With promising prospects in our other existing businesses, the Group looks forward to be able to recover the losses in the near future.

I wish to thank our customers, business partners and shareholders for their support. I would also like to recognise the contribution and dedication of my fellow Directors, the senior management team and our employees.

Kuah Kok Kim
Chairman & CEO

“Our associate registered a sterling performance during the year, allowing the Group to enjoy a 157% growth in its share of associate's earnings.”



FINANCIAL & CORPORATE CALENDAR

APRIL

13 Apr 04

Completion of S\$6.3million share placement exercise to fund business expansion and working capital.

JUNE

10 Jun 04

Release of Annual Report 2003/2004 to shareholders.

JULY

2 Jul 04

35th Annual General Meeting.
Extraordinary General Meeting - Approval of Scrip Dividend Scheme.

22 Jul 04

Payment of 6% final dividend less tax in respect of FY2004.

AUGUST

2 Aug 04

Increase of shareholding in MTQ Subsea Technology Pte Ltd from 75.0% to 77.5%.

3 Aug 04

Expansion of Oilfield Engineering division into oilfield equipment rental through MTQ Equipment Rental Pte. Ltd.

14 Aug 04

Announcement of first quarter FY2005 results.

OCTOBER

14 Oct 04

Acquisition of Stelform Engineering Pty Ltd by RCR. Revision of RCR profit target to A\$4.5million.

28 Oct 04

Announcement and business briefing for half year FY2005 results.

NOVEMBER

17 Nov 04

Acquisition of business of Laser & Allied Cutting Services by RCR. Revision of RCR profit target to A\$5.0million.

26 Nov 04

Payment of 4% interim dividend less tax in respect of FY2005.

DECEMBER

30 Dec 04

Completion of A\$10.3million capital raising exercise by RCR.
Dilution of MTQ's interest in RCR from 28% to 22%.

JANUARY

7 Jan 05

Signing of conditional agreement for the sale of Metalock Castings Sdn Bhd's property at Ipoh, Malaysia.

FEBURARY

14 Feb 05

Announcement of third quarter FY2005 results.

MAY

26 May 05

Release of profit warning in respect of FY2005 results.

30 May 05

Announcement of full year FY2005 results.

JULY

11 Jul 05

Release of Annual Report 2004/2005 to shareholders.



FINANCIAL & OPERATIONS review

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Financial highlights

	2005	2004
FOR THE YEAR (in S\$'000)		
Revenue	56,469	52,738
EBITDA	7,465	6,762
Profit before exceptional items	2,345	2,535
(Loss)/Profit before taxation	(2,819)	2,203
(Loss)/Profit after taxation	(3,383)	1,327
(Loss)/Profit attributable to shareholders	(1,964)	1,705
AT YEAR END (in S\$'000)		
Net current assets	3,250	4,722
Total assets	66,081	66,405
Total liabilities	32,308	33,437
Net debt ¹	13,489	14,024
Shareholders' funds	34,565	32,277
Net tangible assets ²	27,397	24,819
FINANCIAL RATIOS		
Net (loss)/profit margin (%)	(4.99)	4.18
Return on shareholders' funds (%) ³	(8.16)	6.83
Interest cover (EBITDA/net interest expense ⁴)	5.80x	6.21x
Net debt gearing ratio (%) ⁵	28.54	29.84
PER SHARE DATA		
Basic earnings (in cents) ⁶	(2.07)	2.15
Net tangible assets (in cents) ⁷	28.70	31.20
Gross dividend (in cents)	2.50	2.50
Gross dividend yield (%) ⁸	6.94	5.81
Price at year end (in cents)	36.00	43.00

¹ Net debt is defined as gross debt less cash and bank balances.

² Net tangible assets is defined as shareholders' funds less intangible assets.

³ Return on shareholders' funds is defined as profit before taxation divided by shareholders' funds.

⁴ Net interest expense refers to interest expense less interest income.

⁵ Net debt gearing is defined as the ratio of net debt to net capitalisation. Net capitalisation is the aggregate of net debt, shareholders' funds and minority interests.

⁶ Basic earnings per share is defined as profit/(loss) attributable to shareholders divided by weighted average number of issued shares.

⁷ Net tangible assets per share is defined as net tangible assets divided by total number of issued shares.

⁸ Gross dividend yield per share is defined as gross dividend divided by year end market price.

REVENUE

For FY2005, the Group's turnover surged 7% to S\$56.5million from that achieved in FY2004. The increase was mainly driven by improved performance of the Oilfield Engineering division, as well as a full year contribution from the fuel injection business acquired in October 2003. The decline in turbocharger activities in Australia had, however, moderated the extent of revenue increase.

Quarterly results

		1Q	2Q	3Q	4Q	Total
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	2005	14,831	14,347	13,831	13,460	56,469
	2004	12,017	12,288	13,832	14,601	52,738
Profit/(Loss) before exceptional items	2005	264	180	2,102	(201)	2,345
	2004	745	536	405	849	2,535
Exceptional items	2005	-	(91)	(1,183)	(3,890)	(5,164)
	2004	-	-	(332)	-	(332)
Profit/(Loss) before taxation	2005	264	89	919	(4,091)	(2,819)
	2004	745	536	73	849	2,203
Profit/(Loss) after taxation	2005	108	2	309	(3,802)	(3,383)
	2004	505	252	97	473	1,327
Profit/(Loss) attributable to shareholders	2005	135	204	672	(2,975)	(1,964)
	2004	563	395	300	447	1,705
Earnings/(Loss) per share (in cents)	2005	0.14	0.21	0.70	(3.12)	(2.07)
	2004	0.71	0.50	0.38	0.56	2.15

LOSS

Despite the growth registered in revenue, the Group's bottom line was hit by a S\$5.1million impairment provision made for the ROV assets of the Subsea Robotics division. The Group, as a result, suffered a S\$2.8million loss before taxation for FY2005 - a reversal from prior financial year's profit of S\$2.2million. Weaker turbocharger activities and lower exchange gains in FY2005 also contributed to the Group's loss.

The Group's loss was, however, mitigated by improved performance in the Oilfield Engineering division, a full year earnings contribution from the fuel injection business, as well as the Group's share of associate income amounting to S\$3.5million (including negative goodwill recognised).

EARNINGS PER SHARE

The basic loss per share for FY2005 was 2.07cents, as opposed to 2.15cents basic earnings per share for FY2004. The reversal from earnings to loss per share was largely due to a S\$5.2million exceptional loss recognised in FY2005.

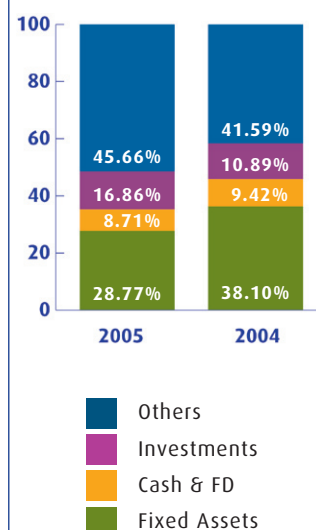
BALANCE SHEET

Total assets fell 0.5% marginally from S\$66.4million as at 31 March 2004 to S\$66.1million as at 31 March 2005. The decrease was mainly due to impairment losses provided for Subsea Robotics division's ROV fleet, offset by the increase in investment in associated company, RCR, as a result of additional shares purchased and share of higher RCR's profit.

Total liabilities decreased by 3% from S\$33.4million as at 31 March 2004 to S\$32.3million as at 31 March 2005. The decrease was mainly attributed to repayment of bank loans.

Shareholders' funds as at 31 March 2005 stood at S\$34.6million, which is 7% higher than the S\$32.3million level as at 31 March 2004.

TOTAL ASSETS



Five years financial profile

	2005	2004	2003	2002	RESTATED 2001
FOR THE YEAR (in S\$'000)					
Revenue	56,469	52,738	48,030	42,412	49,670
EBITDA	7,465	6,762	6,600	4,342	3,601
Profit before exceptional items	2,345	2,535	3,111	1,914	799
(Loss)/Profit before taxation	(2,819)	2,203	5,910	1,693	2,280
(Loss)/Profit after taxation	(3,383)	1,327	5,150	1,259	1,862
(Loss)/Profit attributable to shareholders	(1,964)	1,705	5,385	1,481	1,949
AT YEAR END (in S\$'000)					
Net current assets	3,250	4,722	12,923	10,202	12,355
Total assets	66,081	66,405	60,675	48,161	45,926
Total liabilities	32,308	33,437	28,415	19,333	18,454
Net debt ¹	13,489	14,024	5,641	(565)	4,482
Shareholders' funds	34,565	32,277	31,290	27,934	27,163
Net tangible assets ²	27,397	24,819	29,127	27,934	27,163
FINANCIAL RATIOS					
Net (loss)/profit margin (%)	(4.99)	4.18	12.30	3.99	4.59
Return on shareholders' funds (%) ³	(8.16)	6.83	18.89	6.06	8.39
Interest cover (EBITDA/ net interest expense) ⁴	5.80x	6.21x	11.79x	14.72x	9.43x
Net debt gearing ratio (%) ⁵	28.54	29.84	14.88	N.A.	14.05
PER SHARE DATA					
Basic earnings (in cents) ⁶	(2.07)	2.15	6.80	1.87	2.46
Net tangible assets (in cents) ⁷	28.70	31.20	36.78	35.27	34.30
Gross dividend (in cents)	2.50	2.50	2.50	2.50	1.25
Gross dividend yield (%) ⁸	6.94	5.81	6.41	8.33	3.13
Price at year end (in cents)	36.00	43.00	39.00	30.00	40.00

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⁷ Net tangible assets per share is defined as net tangible assets divided by total number of issued shares.

⁸ Gross dividend yield per share is defined as gross dividend divided by year end market price.

DIVIDENDS

The Board of Directors are recommending a final dividend of 6% less tax to be paid for FY2005. Together with the interim dividend of 4% less tax, which was paid on 26 November 2004, the total dividends for FY2005 is 10%, similar to the dividends declared and paid for FY2004. The cash outflow for the FY2005 dividends after tax deduction is, however, 8% or S\$0.1million higher than that paid out in the previous year in view of the larger share capital base of the Company.

CASH FLOWS

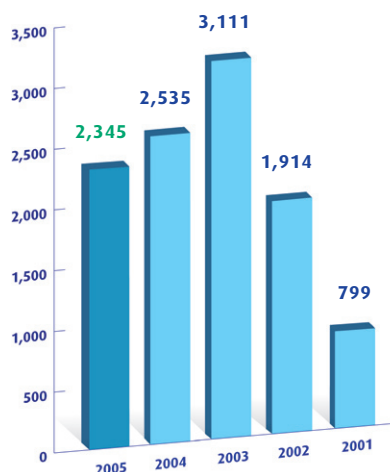
As of 31 March 2005, the Group's cash and cash equivalents stood at S\$5.8million, 4% down from the balance as of 31 March 2004.

Five years financial profile

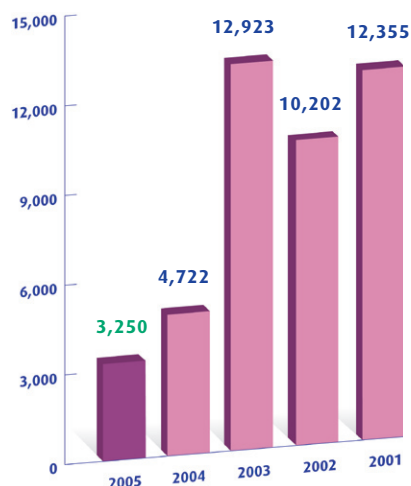
REVENUE (S\$'000)



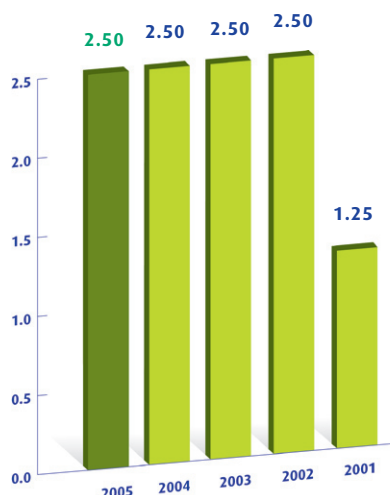
PROFIT BEFORE EXCEPTIONAL ITEMS (S\$'000)



NET CURRENT ASSETS (S\$'000)



GROSS DIVIDENDS (cents)



Cash flows generated from operating activities during FY2005 was S\$1.6million - 71% lower compared to that of FY2004. This was mainly attributable to the loss registered in FY2005 coupled with the less favourable working capital movements due to slower trade collections.

Investing activities were less active in FY2005 with only S\$5.2million utilised - significantly lower compared to S\$11.5million spent in prior financial year. In FY2005, the Group invested S\$1.5million to acquire additional shares in RCR and S\$4.3million more cash were pumped into property, plant and equipment, largely for the ERP setup and implementation in the Engine Systems division in Australia.

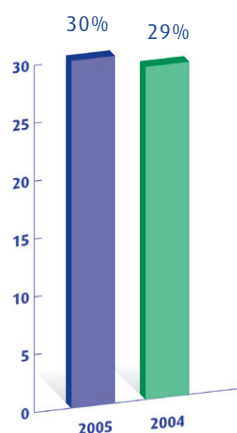
Financing activities generated S\$3.4million cash during FY2005 - S\$2.1million more compared to that of FY2004. The increase resulted from the S\$6.3million proceeds from the share placement exercise, offset by higher net repayment of bank borrowings during FY2005.

SUMMARISED CASH FLOW

Net cash provided by/(used in) the following activities:

	2005 S\$'000	2004 S\$'000
Operating	1,569	5,430
Investing	(5,241)	(11,476)
Financing	3,422	1,366
Net change	(250)	(4,680)
At beginning	6,005	10,685
Cash & cash equivalents	5,755	6,005

NET GEARING RATIO



Treasury management & capital structure

The Group adopts a centralized treasury management system that seeks to ensure day-to-day operating financial commitments are adequately met and any cash surplus held by its business entities are optimally applied in the best interest of the Group. Apart from addressing liquidity risk, the Group treasury management also centrally manages foreign exchange (FX) risk and interest rate risk undertaken by its business entities.

In circumstances where significant transactions in foreign currency are anticipated with no natural hedge in place, forward currency contracts or options are purchased to meet open FX requirements.

The Group maintains a healthy capital structure with appropriate leverage sufficient (but not excessive) for business needs. Its investments and operations are funded through a combination of equity, internal funds, and bank borrowings. As at 31 March 2005, the Group's total bank borrowings stood at S\$19.2million, which represented 56% of shareholders' funds (31 March 2004: 63%).

The net debt gearing of the Group improved from 30% in FY2004 to 29% in FY2005 as net debt fell from S\$14.0million as at 31 March 2004 to S\$13.5million. Interest cover was 5.80 times in FY2005.

Risk management

The Group embraces a proactive risk management approach. Periodic exercises are conducted to identify, evaluate and manage significant risks identified.

The Group seeks growth in its business chiefly through organic growth built on its existing capabilities, development of new competencies in complementary business, as well as acquisition of new businesses.

To mitigate investment risks, detailed evaluation and due diligence (financial, legal and regulatory) of identified targets are performed by the Group's project teams and/or external professionals. The investment proposals are also guided by a given set of internal investment criteria, reviewed by senior management and endorsed by the Investment Committee before seeking final Board approval.

A significant portion of the Group's existing investments and potential acquisition targets are based offshore in view of the nature of its operations. As such, any significant foreign exchange fluctuation could have an impact on the Group's performance. In this regard, the Group adopts a natural hedge by borrowing in the same currency in which the acquired investments or assets base are denominated, where practicable.

The Group's existing operations are also subject to a spectrum of operational as well as financial risks, some of which are unique to the respective business units. While management of the respective divisions are primarily responsible for managing these specific risk exposure, the Audit Committee maintains oversight on all matters relating to risk management across the Group.

The Group has in place policies and procedures designed to safeguard its operations against the uncertainties and adverse threats. The effectiveness of the systems of internal control and the compliance therewith are monitored through a program of internal audit approved by the Audit Committee.

The Group's financial risk management objectives and policies are further discussed in Note 32 to the financial statements.

Group value-added statement

	2005	2004
	S\$'000	S\$'000
VALUE ADDED		
Revenue	56,469	52,738
Bought-in materials and services	(35,069)	(33,554)
GROSS VALUE ADDED	21,400	19,184
Other revenue	503	450
Gain on exchange, net	223	1,600
Share of results of associated company	2,776	1,473
TOTAL VALUE ADDED	25,640	22,707
DISTRIBUTION		
To employees		
Wages, provident fund contributions & other benefits	15,964	15,550
	15,964	15,550
To providers of capital		
Interest on bank borrowings	1,369	1,149
Dividends to shareholders	1,909	1,549
	3,278	2,698
To government		
Income taxes and levies ⁽ⁱ⁾	1,111	1,035
	1,111	1,035
Retained in the business		
Depreciation of property, plant and equipment	4,866	3,824
Provision for impairment of property, plant and equipment	5,164	-
Amortisation of goodwill on business acquisition	365	243
Staff costs capitalised	(241)	(639)
Retained earning ⁽ⁱ⁾	(4,096)	(1,444)
Minority interests	(1,419)	(378)
	4,639	1,606
Non-production costs and income		
Goodwill written off	5	81
Gain on exchange, net	223	1,600
Loss on sale of property, plant and equipment	40	6
Provision for doubtful debts	326	52
Loss on dilution of shareholding in associated company	54	-
Bad debts written off	-	79
	594	1,818
TOTAL DISTRIBUTION	25,640	22,707
Value added per employee (S\$'000)	85	80
Value added per dollar of employment costs (S\$)	1.34	1.24
Value added per dollar of investment in fixed assets (S\$)	0.45	0.37
Value added per dollar sales	0.38	0.36

(i) Including those attributable to associated company

“The division is witnessing stronger repair work volumes...after a significant time lag since the upturn in oil and gas exploration activities.”



Oilfield Engineering division was established some 20 years ago as an extension of the Group's Marine Engineering division. Through constant emphasis on work efficiency and reliability in its service quality, the division has grown to become a market leader in the provision of oilfield engineering services to the oil and gas industry in this region, with well-equipped workshop facilities.

Currently an authorised workshop for original equipment manufacturers (“OEMs”) such as Cooper Cameron, Shaffer Varco and QVM, the division is also accredited to carry out manufacturing and repair works in accordance to American Petroleum Institute Standards API 6A and 16A.

The division is witnessing stronger repair work volumes and higher workshop capacity utilisation after a significant time lag since the upturn in oil and gas exploration activities. High oil prices have led to sustained high level of production activities. This has brought about an acute shortage for capital equipment and a corresponding increase in demand for repair services. The favourable impact on its earnings has also helped insulate the division against rising materials and labour costs.

The launch of the equipment rental business in the financial year also proved timely. It allowed the division to ride on the high exploration activities and, in turn, generate a higher return on its existing assets.

The equipment renewal/upgrading program carried out in previous year, together with the emphasis in cross training of workers to multi-tasks, had also reaped results. The division is able to reduce the work cycle and improve its delivery time with higher level of quality.

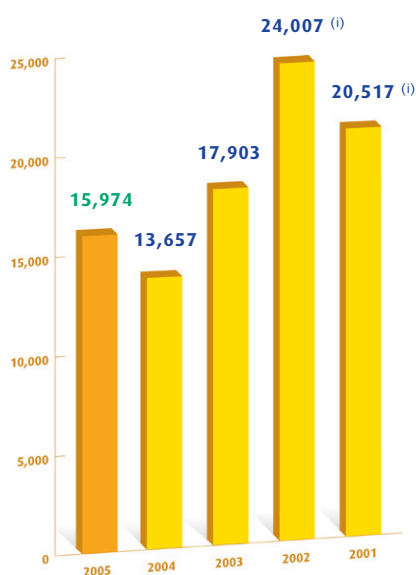
The ability to consistently provide quality services beyond the capabilities of its competitors is critical in ensuring that the division maintains its market leadership position. Additional capital investments planned for the new financial year will further enhance its operational capabilities and allow the division to undertake higher value repair works as well as other complementary activities such as component manufacturing for OEMs.



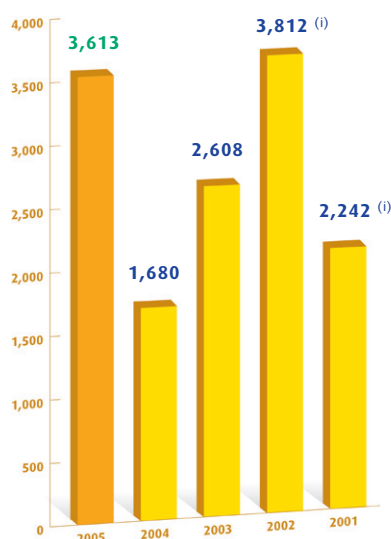
The division has strengthened its sales force to foster better and stronger business relationships with OEMs and rig operators. Various purchasing plans have been put in place to minimise our exposure to anticipated hikes in material and consumable prices. Going forward, the division will also vigorously seek to secure a broader customer base for its rental business.

The division is likely to benefit from the continuing active oil and gas industry in FY2006. It will continue to exercise tight control on operating costs to protect margins, scout for potential business opportunities, improve quality and services, and offer valued-added services to both existing and potential customers.

REVENUE (\$S'000)



EBITDA (\$S'000)



(i) Include contributions from the Marine Engineering division.



“The leverage generated by the nationwide branch network is also a major strength that could be unleashed upon the completion of the business integration program.”



Based primarily in Australia and acquired by MTQ in late 1999, operations of the Engine Systems division could be dated back to 1970s. Then, its core business was in supplying and repairing turbochargers. Over the years, the division grew steadily through a combination of organic growth and acquisitions, the most significant being the acquisition of the fuel injection business of RM Diesel Pty Ltd and Adelaide Fuel Injection Pty Ltd between 2002 and 2003.

To fulfil its objectives of securing growth without corresponding increase in overheads through lateral expansion, the division undertook a business integration program to migrate the turbocharger and fuel injection units onto a common operating platform. The removal of key personnel from the day-to-day business for the design and implementation of the integration program, however, impacted the short term performance of the division.

Sinking into red for the first time since its inclusion to the MTQ Group, performance of the division was also marred by the decline in turnover of its turbocharger business. The sales market for turbochargers shrunk with more new vehicles entering the market with the turbochargers factory-fitted and the increased availability of OEM products through direct exchange program by the original equipment manufacturers. Customers' preference to supply their own parts for repair services had also dented the division's parts sales revenue.

Undeterred, considerable efforts were directed towards the formulation of strategies to improve its market share and expand its product lines. A new facility was established in Rockhampton, Central Queensland, to support the mining industry in the Bowen basin and shipping industry in the Port of Gladstone and Abbot Point Mackay, Australia's two busiest coal-loading ports. The division is also actively pursuing new markets which could provide product vertical integration.

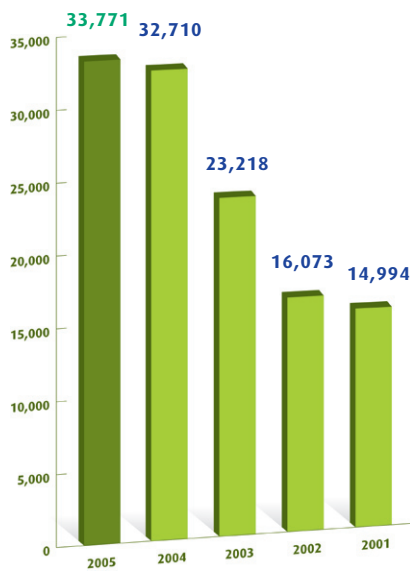
The leverage generated by the nationwide branch network is also a major strength that could be unleashed upon the completion of the business integration program. With enhanced inventory visibility and planning available across various branches, the division will be able to generate significant savings through elimination of duplicate resources, overcome existing restraints in extended supply lead times, improve inventory management and uplift service levels.



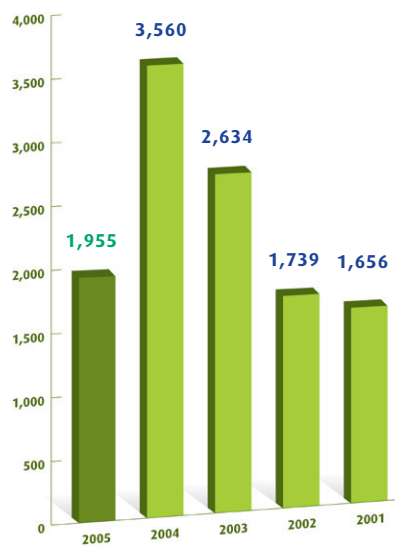
Meanwhile, the division's foray to Asia has progressed well in Surabaya, Indonesia. Despite registering a curtailed loss in its first full year of operation, the Surabaya office is seeing a steady growth in work volumes and repeat orders from quality conscious customers.

The division, as a whole, has undergone fundamental change in its structure, management and culture to develop an appropriate level of urgency in the achievement of its goals. A robust human resource and training culture will also be put in place to support realisation of these goals.

REVENUE (S\$'000)



EBITDA (S\$'000)



“Having regard to the prevailing market paradigms... the division has decided to include, as one of its business options, divestment of its ROV fleet...”



Formed in September 2000 through a joint venture between MTQ, as a major shareholder, and a group of individuals with many years of subsea engineering related experience, the Subsea Robotics division is principally involved in the designing, manufacturing and operation of remotely operated vehicles (“ROVs”).

To-date, the division owns a fleet of 4 observation class ROVs and 3 work class ROVs, supporting clients in various offshore activities, predominantly in oil and gas exploration works.

Performance of the Subsea Robotics division had remained disappointing for the financial year under review. The relocation of its ROV fleet from the North Sea to Asia and Middle East in late FY2004, while successful in containing its overheads, did not deliver the anticipated performance. Although all its work class ROVs were deployed for work by end FY2005, the division experienced considerable difficulties in securing work for its heavy work class ROV initially as well as the two smaller observation class ROVs.

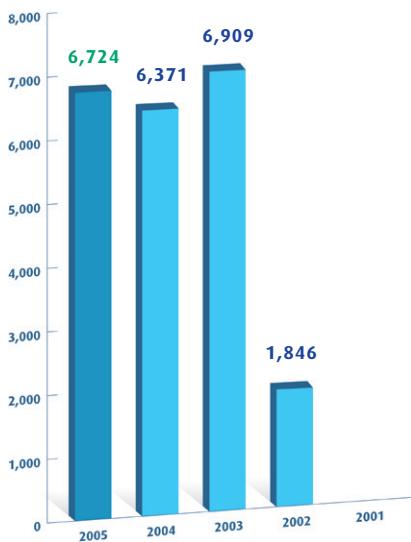
As an independent ROV operator, the division also faced limitations in fulfilling customer requirements for a comprehensive spectrum of subsea engineering services and was often relegated as subcontractor to other integrated service providers, having to compromise on job margins and various commercial terms.

The division sought unsuccessfully to broaden its service range and elevate its market position through strategic alliance with other subsea service providers. Having regard to the prevailing market paradigms and the corresponding earnings potential of its fleet-based operations, the division has decided to include, as one of its business options, divestment of its ROV fleet and had accordingly, made necessary provisions to write down the value of its ROV assets.

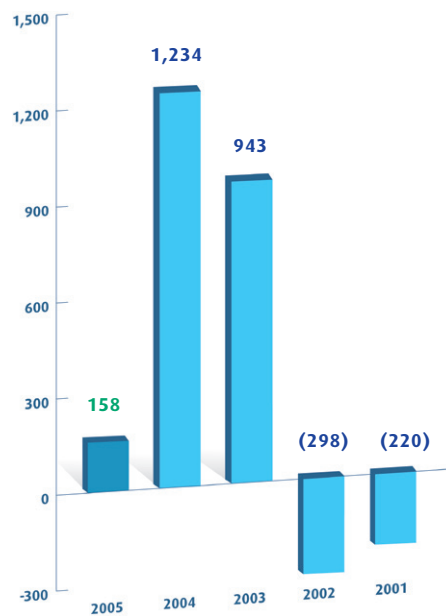


In spite of the dismal financial performance, the division has established a creditable track record in the sales of high quality built-to-order ROVs and tooling systems which has won positive feedback from end-customers in terms of their technical capabilities. Going forward, subject to further reviews and feasibility studies, the division intends to capitalise on its proven engineering expertise and shift its main focus to the sales of subsea robotic systems and related peripherals that are built to customers' specifications.

REVENUE (\$\$'000)



EBITDA (\$\$'000)



“RCR had posted record profits...and its geared to surpass this performance with a profit target of A\$5.0million...”



RCR Tomlinson Limited (“RCR”) is a leading multi-disciplinary engineering company specialising in the design, manufacturing and maintenance of heavy equipment and industrial boiler systems, and site maintenance and construction. Currently listed on the Australian Stock Exchange and headquartered in Perth, Western Australia, the company has operations in Welspool, Bayswater, Bunbury as well as facilities in Queensland, New South Wales, Victoria and South Australia.

MTQ first acquired a 19.9% interest in RCR in June 2002. In the following year, MTQ’s interest was extended by 3% through an on-market purchase and a further 5% after its on-market bid for the company. MTQ’s interest was, however, diluted during the year under review to 22% as a result of a share placement exercise conducted by RCR.

As its single largest shareholder, MTQ participates actively at the RCR board level, through its two nominated directors, in setting the strategic direction of the company. Taking full advantage of the buoyant resource industries in Australia, RCR had posted record profits for its financial year ended 30 June 2004 and is geared to surpass this performance with a profit target of A\$5.0million in the current year. Revenue for the six months period ended 31 December 2004 was A\$74.2million, compared with A\$96.6million achieved for the previous full year. Profit before tax was A\$4.6million, a 281% increase from the comparative period.

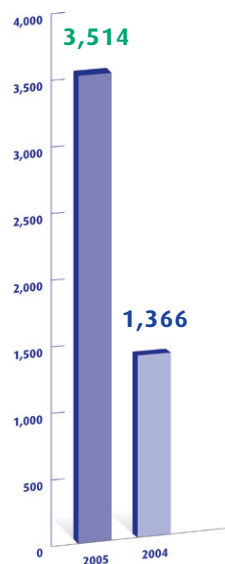
The outstanding performance was attributable to favourable market conditions as well as contributions from the newly acquired business of Stelform Engineering Pty Ltd. The strategy of focusing on margin growth rather than sales growth is also working particularly well in the sales of the company’s range of proprietary equipment and intellectual property products.

RCR successfully completed a A\$10.3million capital raising exercise in December 2004 to fund its acquisition of Stelform and the high margin laser cutting business of Laser & Allied Cutting Services as well as to reduce the company’s debt position.



Business conditions in the second half are expected to remain strong and RCR's results will benefit from the inclusion of Laser & Allied's results for the first time although it will not include the same level of contribution from Stelform. The company is also enjoying strong level of new orders for boilers, apron feeders and scrubbers. These, together with ongoing work from existing clients, will ensure that its workshops at Welspool, Bunbury and Wacol operate at near capacity levels throughout the remainder of 2005.

**SHARE OF RESULTS OF
ASSOCIATED COMPANY (S\$'000)**



KUAH KOK KIM 

Chairman and CEO

Mr. Kuah joined the Board of MTQ Corporation Limited (“MTQ”) on 1 January 1997, was appointed as Executive Chairman on 9 September 1997, and redesignated 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 repair business before joining MTQ.

PHILIP ENG HENG NEE 

Director

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

Mr. Eng was appointed the Deputy Chairman of MCL Land Limited on 1 March 2005. Prior to his present appointment, he was the Group Managing Director of Jardine Cycle & Carriage Limited. Recently appointed Non-Executive Chairman of Accord Customer Care Solutions and City Gas Pte Ltd, Mr. Eng is also a director of Asia General Holdings Ltd, the Chinese Development Assistance Council, Singapore Computer Systems Limited, and Commissioner of PT Bank Danamon Indonesia. He is Singapore’s High Commissioner to Nigeria and also Vice Chairman of Network Indonesia.

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

HUANG YUAN CHIANG 

Director

Mr. Huang was first appointed to 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.

Mr. Huang is a lawyer by training and an investment banker by vocation. His career in investment banking spanned 12 years and he has held senior management positions with various international banks including Standard Chartered Bank, HSBC, Bankers Trust and Deutsche Bank. His last position at Bankers Trust was Managing Director, overseeing the Mergers & Acquisitions Division of Bankers Trust for Singapore, Malaysia, Thailand, Indonesia, Philippines and India.

Apart from the Company, Mr. Huang sits on the boards of other listed companies in Singapore and Malaysia, including Jurong Cement Limited, BBR Holdings (S) Limited and ISG Asia Limited.

Mr. Huang has degrees in Economics and Law.

ONG CHOO ENG 

Director

Mr. Ong joined the Board since 9 September 1997. He is a member of the Audit and Remuneration Committees.

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

Mr. Ong graduated with a Bachelor of Science (Honours) degree in Civil Engineering and a Master of Science degree in Advance Structural Engineering from Queen Mary College, University of London in 1966. He was elected a Fellow of Queen Mary College, University of London in 1990. Mr. Ong is a member of the Institution of Civil Engineers (UK) and Institution of Engineers (Singapore).

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 board of Eu Yan Seng International Ltd, ISS Group Ltd and several privately owned 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



CORPORATE OFFICE



WILLIAM FONG CHOON SENG, CPA, Group Financial Controller

Mr. William Fong joined the Group in 1998 and has also been the Company Secretary since 1999. He is overall responsible for the financial and accounting controls, investor relations, management information systems and the corporate secretarial functions of the Group. Mr. Fong has about 16 years of financial control and audit experience. He is currently a member of the Institute of Certified Public Accountants of Singapore as well as a fellow member of The Association of Chartered Certified Accountants (ACCA).

SHIRLEY ONG,

MIS Manager

TIFFANY YAP,

Human Resource
and Admin Manager

OILFIELD ENGINEERING DIVISION



PETER LOCK, Managing Director

Mr. Peter Lock joined the Group as a welding engineer in 1982. He was responsible for spearheading the Group's expansion into the oilfield engineering business. Over the 22 years in MTQ, he had built 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 appointed as Managing Director of MTQ Engineering Pte Ltd in May 2003.

ALFRED TEO,

Senior Manager

LAI CHEE KEONG,

Engineering Manager

TEO CHOON KIAN,

Sales Manager

ENGINE SYSTEMS DIVISION



LES HEALEY, CEO

Mr. Les Healey was appointed as CEO of MTQ Engine Systems (Aust) Pty Ltd in September 2004. Mr. Healey brought with him vast experience in the Caterpillar Dealer network and was General Manager of Komatsu Western Region at a time where significant gains in market share were achieved. More recently, Mr. Healey was General Manager of a Repco Group Company - Ashdown and was part of the senior management team responsible for the listing of the group on the Australian Stock Exchange. Mr. Healey has a Bachelor degree from the University of Queensland in Arts and Economics.

GARRY J SWAINSON,

Director (Indonesia)

SUBSEA ROBOTICS DIVISION



SAMUEL BERNARD SASSOON, Managing Director

Mr. Sassoon is one of the founders of MTQ Subsea Technology Pte Ltd. Mr. Sassoon has 16 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 Science (Economics) graduate from the National University of Singapore, Mr. Sassoon also holds a Master of Arts (Management) Degree from the University of Leeds.

WU QIONG,

Marketing and

Operations Manager

JOHN NANGLE,

ROV, Engineering and

Marketing Manager

Employees Profile

LENGTH OF SERVICE



Less than 3 yrs	88
3 to 8+ yrs	121
9 to 14+ yrs	23
15 yrs or more	26
Total	258

EDUCATIONAL QUALIFICATION



Degree & equivalent	28
Diploma & equivalent	13
Trade Certificate	111
"A" Level & equivalent	64
"O" Level & equivalent	10
Below "O" Level	32
Total	258

NATIONALITY



Australia	110
Singapore	83
Malaysia	12
China	19
Others	34
Total	258

JOB GROUP



Senior Management	13
Engineering & Production	146
Corporate Services	75
Sales & Marketing	24
Total	258

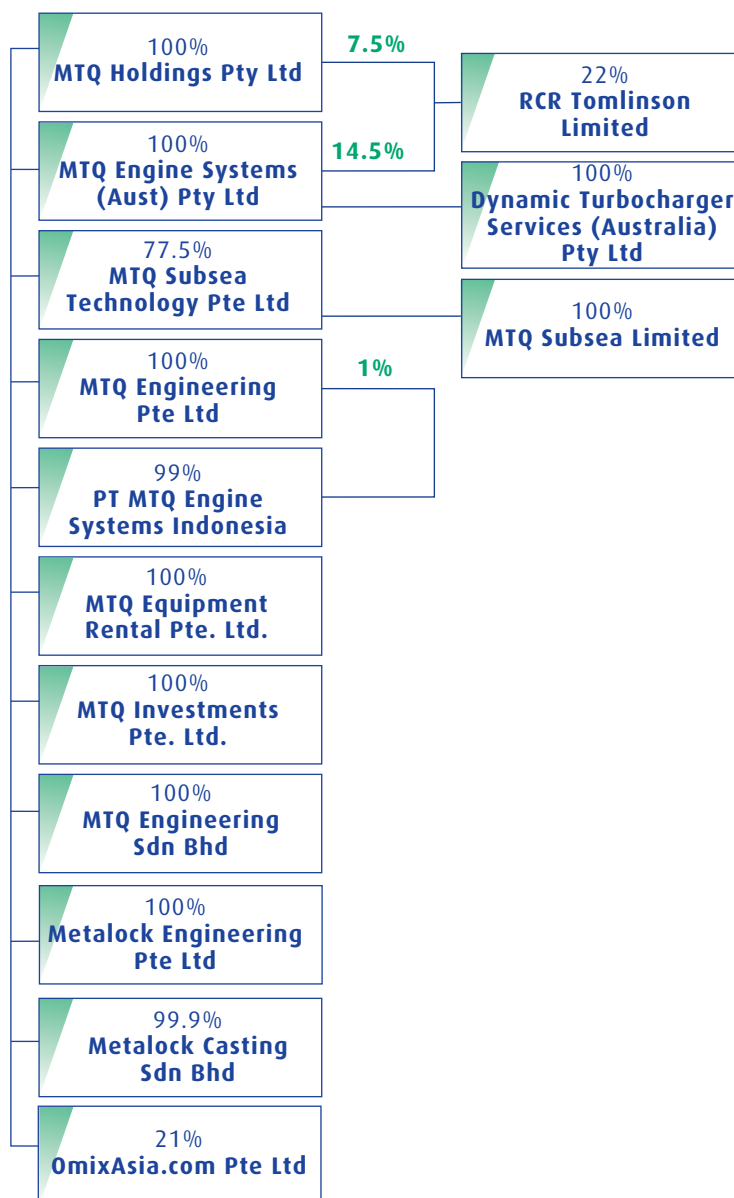
The Group's commitment towards our human capital is clearly embedded in our mission statement.

The management is determined to help develop the STAR - Sincere, Transparent, Alert, Responsible qualities in our people and a structured human resource management and training system has been put in place to facilitate the achievement of that goal. The oilfield engineering division is the first beneficiary of such an initiative. With the implementation of the performance-based appraisal and goal-linked training program, job satisfaction and productivity increased, resulting in the reduction of workers turnover rate despite the better job market.

A similar program will be rolled out to the other divisions in the Group.

To promote a culture of healthy living and balanced diet, the Group subsidises exercise classes for staff and offers fruits to staff monthly. Meanwhile, the daily morning workout session started some two years ago remains a familiar sight in its Singapore compound.

CORPORATE STRUCTURE



DIRECTORY OF PRINCIPAL SUBSIDIARIES & ASSOCIATE

MTQ CORPORATION LIMITED

182 Pandan Loop Singapore 128373
Tel: (65) 6777 7651 Fax: (65) 6777 6433
Website: www.mtq.com.sg
Contact: Kuah Kok Kim, Chairman & CEO
Email: kkkuah@mtq.com.sg
Contact: William Fong, Group Financial Controller
Email: williamfong@mtq.com.sg

MTQ ENGINEERING PTE LTD MTQ EQUIPMENT RENTAL PTE. LTD.

182 Pandan Loop Singapore 128373
Tel: (65) 6777 7651/(65) 6774 9395
Fax: (65) 6779 4092
Website: www.mtq.com.sg
Contact: Peter Lock, Managing Director
Email: Peterlock@mtq.com.sg

MTQ SUBSEA TECHNOLOGY PTE LTD

182 Pandan Loop Singapore 128373
Tel: (65) 6872 8966/(65)6874 7505
Fax: (65) 6775 9928
Website: www.mtq.com.sg
Contact: Samuel Sassoon, Managing Director
Email: samsas@mtqsubsea.com.sg

MTQ ENGINE SYSTEMS (AUST) PTY LTD

32 Raynham Street, Salisbury, Qld 4107 Australia
Tel: (617) 3274 3755 Fax: (617) 3274 4514
Website: www.mtqes.com.au
Contact: Les Healey, CEO
Email: les.healey@mtqes.com.au

PT MTQ ENGINE SYSTEMS INDONESIA

Jl. Raya Manukan Kulon 60 (Komp. Pergudangan)
Blok D - 9, Manukan Kulon, Tandes, Surabaya 60185
East Java - Indonesia
Tel: (62) 31 744 2258 Fax: (62) 31 744 2259
Contact: Garry Swainson, Director
Email: garry_s@indo.net.id

RCR TOMLINSON LIMITED

239 Planet Street Welshpool WA 6106 Australia
Tel: (618) 9355 8100 Fax: (618) 9361 0724
Website: www.rcrtom.com.au
Contact: John Linden, Managing Director
Email: jlinden@rcrtom.com.au



FINANCIAL report

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CORPORATE GOVERNANCE REPORT

MTQ Group believes strongly in upholding the spirit and principles of the Code of Corporate Governance (the "Code") to enhance its corporate performance and accountability.

The Group seeks to enhance and maximise shareholders' value through professionalism, integrity and commitment of our Board members and employees of the Group supported by sound policies, practices and self-regulatory controls. The Group subscribes fully to the principles and recommendations in the Code where it is applicable, relevant and practical to the Group.

This Report describes the Group's 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.

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 the subsequent sections of this Report. The Chairman of each Committee will report to the Board the outcome of the Committee meetings and its recommendations.

Matters which are specifically referred to the Board for decision include:

- a) corporate restructuring and share issuances;
- b) dividends and other returns to shareholders;
- c) matters specified under our interested person transaction policy including those involving a conflict of interest for a substantial shareholder or a Director; and
- d) major financial 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 under "Board Committees' Attendance" below.

Nevertheless, the Company believes that contribution from each Director should be measured beyond attendance at formal meetings. 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.

Changes to regulatory and accounting standards having bearing on the Company's or Directors' obligations are also closely monitored by management and are conveyed to the Directors at Board meetings, specially convened meetings or via written updates.

Principle 2 : Board Composition and Balance

The Board comprises 5 directors, 4 of whom are non-executive Directors. Of the 4 non-executive directors, 3 are independent Directors. The Board adopts the Code's definition of what constitute an independent director and reviews the independence of each Director on an annual basis and is satisfied that it has sufficient independence and objectivity within the existing Board composition.

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 businesses, the Directors are of the view that it is not practical or cost effective to have more than the existing 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 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 guidelines on corporate governance. In carrying out his executive duties and responsibilities for the Group's operations and businesses, the Chairman is assisted by the senior management staff.

The Company's Articles has also made provision for the Chairman and CEO to be subject to the one-third rotation rule as described under Principle 4 of this Report. 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. 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.

The Directors are welcome to request for 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 Directors. In addition, the Directors can, in furtherance of their duties, take independent professional advice, if necessary, at the Company's expense.

Principle 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 past Board meetings.

New Directors must submit themselves for re-election at the next Annual General Meeting of the Company. Article 91 of its 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.

The Board is of the opinion that the appointment and re-election of Directors is formal and transparent.

The year of initial appointment and last re-election of the Directors are set out below:

Director	Date of Initial Appointment	Date of Last Re-election
Kuah Kok Kim	01.01.1997	20.06.2003
Philip Eng Heng Nee	09.09.1997	02.07.2004
Huang Yuan Chiang	08.08.2001	05.07.2002
Ong Choo Eng	09.09.1997	20.06.2003
Ian Wayne Spence	15.01.2002	05.07.2002

Mr Huang Yuan Chiang and Mr Ian Wayne Spence will be due for re-election in the forthcoming Annual General Meeting.

CORPORATE GOVERNANCE REPORT

PERFORMANCE AND REMUNERATION MATTERS

- 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
Ong Choo Eng
Ian Wayne Spence

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

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 framework, 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, remuneration packages are also designed 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 Scheme. Details of the Scheme have been set out in the Directors' Report.

The remuneration scheme for the executive Director 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. 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 contract for the executive Director has a fixed period and is not excessively long or with onerous removal clauses. The terms of the service contract also require specific approval of the Board.

As the Remuneration Committee comprises all the Board members except for the executive Director, remuneration matters were discussed at Board meetings in conjunction with the performance review. As such, the Remuneration Committee did not convene any separate meetings during the financial year under review.

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 Directors' fees, it is not necessary or practical for the policy in remuneration to be approved at the Annual General Meeting.

The remuneration of Directors are set out below:

	Fee	Salary/ Allowances	AWS/ Bonus	Benefits
I. Above \$250,000 to \$500,000 Mr Kuah Kok Kim		91%	8%	1%
II. \$250,000 and below				
Mr Philip Eng Heng Nee	100%			
Mr Huang Yuan Chiang	100%			
Mr Ong Choo Eng	100%			
Mr Ian Wayne Spence	100%			

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

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

ACCOUNTABILITY AND AUDIT

Principle 6 : Access to Information

Principle 10 : Accountability

Principle 11 : Audit Committee

Principle 12 : Internal Controls

Principle 13 : Internal Audit

In order to ensure that the Board is able to fulfil its responsibilities, management provides monthly financial statements, together with relevant analysis, to the executive Director on a timely basis. Non-executive Directors are also furnished with management accounts and reports where necessary or as and when requested by them to enable them to discharge 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 Board 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 Companies Act, Cap.50 (the "Act"), the Memorandum and Articles, the rules of Singapore Exchange Securities Trading Limited ("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

AUDIT COMMITTEE

The Audit Committee comprises 4 non-executive Director members, 3 of whom 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 201 B(5) of the Act, 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, as well as the independence and objectivity of the external auditors of the Group. The Committee also considered the suitability of the auditor of its foreign incorporated associated company as the auditor is from a different accounting firm. In assessing the suitability of the auditor engaged in the audit of its associated company, the Audit Committee took into consideration the size of the audit firm, its international affiliation with other audit firms, the experience of the partners and its clientele base.

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. It has full discretion to invite any Director or executive officer to attend its meetings. In order to discharge its functions properly, it also has full access to records, resources and personnel.

In performing its functions, the Audit Committee meets 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 to ensure that they would not, in the Audit Committee's opinion, affect the independence of 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.

Since the last financial year, the Audit Committee has appointed RSM Robert Tan & Co. as the Group's internal auditor in place of Ernst & Young to ensure greater independence. The independent in-house internal audit division will continue to carry out 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:

- that the independence of the external auditors have not been compromised in relation to the non-audit services provided;
- with the suitability of the auditor of its foreign incorporated associated company pursuant to Rule 716 of the Listing Manual of SGX-ST;
- with the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management;
- with the adequacy of the internal audit function; and
- that the internal audit function is adequately resourced, and has appropriate standing within the Company and the Group.

BOARD COMMITTEES' ATTENDANCE

Name of Directors	Board of Directors No. of Meetings		Audit Committee No. of Meetings	
	Held	Attended	Held	Attended
Mr Kuah Kok Kim	5	5	4	4 ⁱⁱ
Mr Philip Eng Heng Nee	5	3	4	2
Mr Huang Yuan Chiang	5	4	4	4
Mr Ong Choo Eng	5	4	4	4
Mr Ian Wayne Spence	5	5	4	4
Mr Samuel Bernard Sassoon ⁱ	5	2	4	1 ⁱⁱ

ⁱMr Samuel Bernard Sassoon retired as Director on 2 July 2004

ⁱⁱAttendance by invitation

COMMUNICATION WITH SHAREHOLDERS

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 within the mandatory period. We have also adopted quarterly reporting on a voluntary basis. 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.

To supplement disclosures required under the SGX-ST announcement template, the Group prepared quarterly news releases which seek to discuss, in more investor-friendly fashion, impact of various external and internal influences surrounding the Group's performance and outlook.

Shareholders receive biannual newsletters, which update on the development and new initiatives undertaken by the Group, as well as the Annual Report within the mandatory period. The Notice of Annual General Meeting is advertised in a newspaper in Singapore and is also made available on the SGX-ST website. 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 in which separate resolutions are set for each distinct issue. The Articles allow a member of the Company to appoint one or more proxies to attend and vote on his behalf.

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.

DEALING IN SECURITIES

(SGX-ST Listing Rule 710(2))

The Company has adopted a Code of Best Practices on Securities Transaction that is in line with the Best Practices Guide issued by the SGX-ST. This code sets out the implication of insider dealings and guidance to officers on dealings in the Company's shares.

All Directors and officers of the Company who have access to unpublished price sensitive information are required to confirm their compliance with the requirements of the code quarterly.

In addition, the Company Secretary has, from time to time, updated the Directors and officers on regulations relating to prohibitions on dealing in the Company's securities.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of MTQ Corporation Limited (the "Company") and its subsidiary companies (the "Group") for the financial year ended 31 March 2005.

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
Ian Wayne Spence

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described in the subsequent paragraphs, neither at the end of the financial year nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES

According to the register required to be kept under Section 164 of the Singapore 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 1.4.2004	At 31.3.2005	At 21.4.2005	At 1.4.2004	At 31.3.2005	At 21.4.2005
The Company (Ordinary shares of \$0.25 each)						
Kuah Kok Kim	134,000	20,000	20,000	18,734,000	19,164,000	19,164,000
(Options to subscribe for ordinary shares of \$0.25 each)						
Philip Eng Heng Nee	200,000	200,000	200,000	-	-	-
Ong Choo Eng	200,000	200,000	200,000	-	-	-
Huang Yuan Chiang	120,000	120,000	120,000	-	-	-
Ian Wayne Spence	120,000	120,000	120,000	-	-	-

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 as at the end of the financial year.

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 2005.

OPTIONS TO ACQUIRE SHARES IN THE COMPANY

- (a) 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, replaced the Metalock Executives' Share Option Scheme (the "Previous Scheme").

Unlike the Previous Scheme, the Scheme, inter alia, allows for the participation of executives who meet the eligibility criteria but who are also controlling shareholders. 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.

The Previous Scheme and the Scheme are administered by the Remuneration Committee appointed by the Directors of the Company. The Remuneration Committee comprises the following members during the financial year and as at the date of this report:

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

The selection of the participants in the Scheme and the grant of options are to be determined by the Remuneration Committee at its absolute discretion.

- (b) The principal terms of the Scheme are:

(i) Scheme Size and Duration

The aggregate nominal amount of new shares over which the Remuneration Committee may grant options pursuant to the Scheme, when added to the nominal amount of new ordinary shares issued and issuable in respect of all options granted under the Scheme and the Previous Scheme, shall not exceed fifteen per cent (15%) ("Maximum Limit") of the issued share capital of the Company on the day preceding the date of grant.

The Scheme shall continue in existence at the discretion of the Remuneration Committee subject to a maximum period of ten years commencing from the date the Scheme is adopted by the Company in general meeting, provided always that the Scheme may be extended beyond the ten year period with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities as may be required. The Company in general meeting, may always by ordinary resolution terminate the Scheme at any time.

Termination of the Scheme shall not affect options which have been granted, whether such options have been exercised (whether fully or partially) or not.

(ii) Eligibility to participate in the Scheme

In respect of the Scheme, the following categories of individuals shall be eligible to participate:

- Directors and employees of the Company;
- directors and employees of subsidiary companies of the Company;
- directors and employees of associated companies (a company as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and over which the Company has control); and
- subject to the conditions in the following paragraphs, directors and employees of the Company and subsidiary companies of the Company who are controlling shareholders of the Company (as defined in the Listing Manual of the SGX-ST).

OPTIONS TO ACQUIRE SHARES IN THE COMPANY (cont'd)

(ii) Eligibility to participate in the Scheme (cont'd)

Employees refer to only confirmed non-bargainable employees who are at least twenty-one years of age.

In respect of any person who is a director or employee of the Company or a subsidiary company of the Company, and who is also a controlling shareholder of the Company,

- associates (as defined in the Listing Manual of the SGX-ST) of the controlling shareholders shall not be eligible to participate in the Scheme;
- the total number of new ordinary shares in respect of which options may be granted to such controlling shareholders shall not exceed twenty-five per cent (25%) of the Maximum Limit; and
- the total number of new ordinary shares in respect of which options may be granted to each of such controlling shareholders shall not exceed ten per cent (10%) of the Maximum Limit.

Controlling shareholders shall not participate in the Scheme unless their participation and the actual number of new ordinary shares and terms of any option to be granted to each of them have been approved by the independent shareholders in general meeting in separate resolutions.

(iii) Grant of Options

Options under the Scheme may be granted at any time during the period when the Scheme is in force, except that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, options may be granted only on or after the second Market Day after the day on which such announcement is released. In addition, no options is granted during any other period specified by the Board to be a period in which officers of the Company must not deal in securities of the Company.

(iv) Exercise Period

Subject to the other rules of the Scheme, an option granted can be exercised by the option holder at any time during a period commencing on the first anniversary from the date of grant or such later date at the discretion of the Remuneration Committee, and expiring on the day immediately preceding:

- the tenth anniversary of the date of grant in the case of executive directors and employees of the Company or its subsidiary company; or
- the fifth anniversary of the date of grant in the case of all other participants.

An option granted with subscription price fixed at a discount to market price can only be exercised after the second anniversary of the date of grant.

(v) Subscription Price

The subscription price for each share comprised in an option that is exercisable, shall be equal to the average of the last dealt prices (rounded up to the nearest cent) of the Company shares on the SGX-ST for the three consecutive market days immediately preceding the date of grant ("Market Price") of such option, provided that at the absolute discretion of the Remuneration Committee, the subscription price may be fixed at the time of grant of options at no less than eighty per cent (80%) of the Market Price.

The subscription price shall in no event be less than the nominal value of the Company's share.

- (c) Only one of the controlling shareholders, namely, Mr Kuah Kok Kim, has been approved to participate in the Scheme.

OPTIONS TO ACQUIRE SHARES IN THE COMPANY (cont'd)

(d) Under the Previous Scheme and the Scheme, share options granted, exercised and cancelled during the financial year and outstanding as at 31 March 2005 were as follows:

Date of grant	As at 1.4.2004	No. of options			As at 31.3.2005	Exercise price	Expiry date
		Additions	Exercised	Cancelled			
16 October 2000	200,000	-	-	-	200,000	\$0.30	15 October 2005
16 October 2000	711,000	-	25,000	100,000	586,000	\$0.30	15 October 2010
31 July 2003	440,000	-	-	-	440,000	\$0.43	30 July 2008
31 July 2003	1,495,000	-	-	60,000	1,435,000	\$0.43	30 July 2013
	2,846,000	-	25,000	160,000	2,661,000		

(e) The participants of the Previous Scheme and the Scheme who are Directors of the Company as at 31 March 2005 are disclosed in the following table:

Name of participant	Options granted during financial year	Aggregate options granted since commencement of Previous Scheme and the Scheme to end of financial year	Aggregate options exercised since commencement of Previous Scheme and the Scheme to end of financial year	Aggregate options outstanding since commencement of Previous Scheme and the Scheme to end of financial year
Kuah Kok Kim	-	-	-	-
Philip Eng Heng Nee	-	200,000	-	200,000
Huang Yuan Chiang	-	120,000	-	120,000
Ong Choo Eng	-	200,000	-	200,000
Ian Wayne Spence	-	120,000	-	120,000

Note: The terms of the share options granted under the Previous Scheme and the Scheme to these participants (who are Directors of the Company) are the same as those granted to the employees of the Group as disclosed in (b) above.

(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 during the financial year.

(h) The holders of the share options have no right to participate by virtue of these options under the Previous Scheme and the Scheme in any share issue of any other company in the Group.

DIRECTORS' REPORT

OPTIONS TO ACQUIRE SHARES IN A SUBSIDIARY COMPANY

The particulars of options to acquire shares in a subsidiary company, MTQ Subsea Technology Pte Ltd, administered under the MTQ Subsea Technology Pte Ltd Share Option Scheme (the "Subsea Scheme") are as follows:

At the end of the financial year, outstanding options to subscribe for ordinary shares of \$1.00 each in MTQ Subsea Technology Pte Ltd were as follows:

Date of grant	As at 1.4.2004	No. of options		As at 31.3.2005	Exercise price as at 31.3.2005	Expiry date
		Exercised	Cancelled			
21 June 2000	45,000	-	-	45,000	\$1.20	21 June 2010
01 July 2000	215,200	-	215,200	-	\$1.20	01 July 2010
10 July 2000	74,740	-	-	74,740	\$1.20	10 July 2010
01 August 2000	78,680	-	78,680	-	\$1.20	01 August 2010
	413,620	-	293,880	119,740		

The exercise price of options granted under the Subsea Scheme is based on the par value of the share with an annual escalation clause.

No other options were granted by the subsidiary company during the financial year.

The holders of the share options have no right to participate by virtue of these options in any share issue of any other company in the Group.

DIRECTORS' CONTRACTUAL BENEFITS

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.

AUDIT COMMITTEE

The Audit Committee comprises 4 members, 3 of whom 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 Singapore Companies Act, Cap. 50 and the Code of Corporate Governance.

The Audit Committee has oversight of the scope and results of the external and internal audit, their cost effectiveness, as well as 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.

AUDIT COMMITTEE (cont'd)

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 2005 as well 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.

AUDITORS

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

On behalf of the Board of Directors,

Kuah Kok Kim
Director

Ian Wayne Spence
Director

Singapore
23 June 2005

STATEMENT BY DIRECTORS

Pursuant to Section 201(15), Singapore 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 2005 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 financial 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 of Directors,

Kuah Kok Kim
Director

Ian Wayne Spence
Director

Singapore
23 June 2005

AUDITORS' REPORT

To the Members of MTQ Corporation Limited

We have audited the accompanying financial statements of MTQ Corporation Limited (the "Company") and its subsidiary companies (the "Group") set out on pages 40 to 85 for the financial year ended 31 March 2005. 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 of the Company and of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards 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 2005 and the results, changes in equity of the Company and of the Group and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records 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.

ERNST & YOUNG
Certified Public Accountants

Singapore
23 June 2005

PROFIT AND LOSS ACCOUNTS

For the financial year ended 31 March 2005

(In Singapore dollars)

	Note	Group		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue	3	56,469	52,738	4,534	2,552
Other revenue	4	503	450	352	318
		56,972	53,188	4,886	2,870
Cost of sales		(37,554)	(35,302)	-	-
Gross profit		19,418	17,886	4,886	2,870
Staff costs		(9,831)	(9,478)	(1,266)	(1,343)
Other operating expenses		(14,551)	(6,422)	(7,233)	(3,511)
(Loss)/profit from operating activities	5	(4,964)	1,986	(3,613)	(1,984)
Finance costs	6	(1,369)	(1,149)	-	(4)
(Loss)/profit from operations before share of results of associated company		(6,333)	837	(3,613)	(1,988)
Share of results of associated company		3,514	1,366	-	-
(Loss)/profit from operations before taxation		(2,819)	2,203	(3,613)	(1,988)
Taxation	7	(564)	(876)	(415)	76
Net (loss)/profit from operations		(3,383)	1,327	(4,028)	(1,912)
Minority interests		1,419	378	-	-
Net (loss)/profit attributable to shareholders		(1,964)	1,705	(4,028)	(1,912)
		Cents	Cents		
(Loss)/earnings per share					
- Basic	8	(2.07)	2.15		
- Diluted	8	(2.07)	2.14		

The accounting policies and explanatory notes on pages 46 to 85 form an integral part of the financial statements.

BALANCE SHEETS

As at 31 March 2005

(In Singapore dollars)

	Note	Group		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Non-current assets					
Goodwill	9	7,168	7,458	-	-
Property, plant and equipment, net	10	19,012	25,298	1,502	1,882
Subsidiary companies	11	-	-	26,964	26,045
Associated company	12	11,138	7,234	-	-
Other investments	13	-	-	-	-
Long term receivables	14	1,025	228	106	48
Deferred tax assets	22	539	356	-	-
		38,882	40,574	28,572	27,975
Current assets					
Inventories	15	8,029	7,666	-	-
Receivables	16	12,493	11,181	401	415
Tax recoverable		922	729	689	721
Fixed deposits	17	2,435	3,809	400	502
Cash at bank and in hand	17	3,320	2,446	119	209
		27,199	25,831	1,609	1,847
Current liabilities					
Trade and other payables	18	(11,228)	(10,707)	(684)	(605)
Short term bank borrowings	19	(7,279)	(4,760)	-	-
Long term bank borrowings, current portion	19	(3,985)	(3,649)	-	-
Finance lease payables	20	-	(1)	-	-
Loans from a minority shareholder of a subsidiary company	21	(1,390)	(1,386)	-	-
Provision for taxation		(67)	(606)	-	-
		(23,949)	(21,109)	(684)	(605)
Net current assets		3,250	4,722	925	1,242
Non-current liabilities					
Long term bank borrowings	19	(7,980)	(11,869)	-	-
Deferred tax liabilities	22	(379)	(459)	(72)	(132)
		(8,359)	(12,328)	(72)	(132)
Net assets		33,773	32,968	29,425	29,085
Equity					
Share capital	23	23,861	19,887	23,861	19,887
Reserves	24	10,704	12,390	5,564	9,198
Shareholders' funds		34,565	32,277	29,425	29,085
Minority interests	25	(792)	691	-	-
		33,773	32,968	29,425	29,085

The accounting policies and explanatory notes on pages 46 to 85 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2005

(In Singapore dollars)

Group	Share capital \$'000	Share premium \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Shareholders' funds \$'000
Balance at 31 March 2003	19,800	1,944	701	8,845	31,290
Exchange difference on translation of overseas subsidiary companies	-	-	804	-	804
Issuance of ordinary shares pursuant to exercise of options	87	18	-	-	105
Net profit attributable to shareholders	-	-	-	1,705	1,705
Share of reserves movement in associated company	-	-	-	(78)	(78)
Dividends paid in respect of previous financial year, less tax (Note 26)	-	-	-	(928)	(928)
Dividends paid in respect of current financial year, less tax (Note 26)	-	-	-	(621)	(621)
Balance at 31 March 2004	19,887	1,962	1,505	8,923	32,277
Exchange difference on translation of overseas subsidiary companies	-	-	54	-	54
Issuance of ordinary shares pursuant to exercise of options	6	1	-	-	7
Issuance of ordinary shares pursuant to share placement	3,968	2,302	-	-	6,270
Net loss attributable to shareholders	-	-	-	(1,964)	(1,964)
Share of reserves movement in associated company	-	-	-	(170)	(170)
Dividends paid in respect of previous financial year, less tax (Note 26)	-	-	-	(1,145)	(1,145)
Dividends paid in respect of current financial year, less tax (Note 26)	-	-	-	(764)	(764)
Balance at 31 March 2005	23,861	4,265	1,559	4,880	34,565

The accounting policies and explanatory notes on pages 46 to 85 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2005

(In Singapore dollars)

Company	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Share- holders' funds \$'000
Balance at 31 March 2003	19,800	1,944	10,697	32,441
Issuance of ordinary shares pursuant to exercise of options	87	18	-	105
Net loss attributable to shareholders	-	-	(1,912)	(1,912)
Dividends paid in respect of previous financial year, less tax (Note 26)	-	-	(928)	(928)
Dividends paid in respect of current financial year, less tax (Note 26)	-	-	(621)	(621)
Balance at 31 March 2004	19,887	1,962	7,236	29,085
Issuance of ordinary shares pursuant to exercise of options	6	1	-	7
Issuance of ordinary shares pursuant to share placement	3,968	2,302	-	6,270
Net loss attributable to shareholders	-	-	(4,028)	(4,028)
Dividends paid in respect of previous financial year, less tax (Note 26)	-	-	(1,145)	(1,145)
Dividends paid in respect of current financial year, less tax (Note 26)	-	-	(764)	(764)
Balance at 31 March 2005	<u>23,861</u>	<u>4,265</u>	<u>1,299</u>	<u>29,425</u>

The accounting policies and explanatory notes on pages 46 to 85 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2005

(In Singapore dollars)

	2005 \$'000	2004 \$'000
Cash flows from operating activities:		
(Loss)/profit from operations before taxation	(2,819)	2,203
Add/(less):		
Amortisation of goodwill on business acquisition	365	243
Depreciation of property, plant and equipment	4,866	3,824
Goodwill written off	5	81
Interest expense	1,369	1,149
Interest income	(81)	(60)
Share of results of associated company	(3,514)	(1,366)
Loss on sale of property, plant and equipment	40	6
Loss on dilution of shareholding in associated company	54	-
Provision for impairment of property, plant and equipment	5,164	-
Dilution of minority interests in a subsidiary company	-	(18)
Provision for restructuring costs	-	332
Operating income before reinvestment in working capital	5,449	6,394
(Increase)/decrease in receivables	(1,963)	3,006
Increase in inventories	(363)	(451)
Increase/(decrease) in payables	505	(320)
Currency realignment	5	(890)
Cash generated from operations	3,633	7,739
Interest income received	81	60
Interest expense paid	(1,330)	(1,133)
Income taxes paid	(815)	(1,236)
Net cash provided by operating activities	1,569	5,430
Cash flows from investing activities:		
Acquisition of additional shares in associated company	(1,470)	(2,493)
Dividends received from associated company	285	160
Loans (given to)/repaid by staff, net	(146)	93
Purchase of property, plant and equipment	(4,291)	(2,073)
Proceeds from sale of property, plant and equipment	450	205
Acquisition of additional shares in a subsidiary company	(69)	-
Investment in new businesses	-	(7,411)
Subscription for shares in a subsidiary company by minority shareholders	-	43
Net cash used in investing activities	(5,241)	(11,476)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2005

(In Singapore dollars)

	2005 \$'000	2004 \$'000
Cash flows from financing activities:		
Dividends paid	(1,909)	(1,549)
Proceeds from issuance of new shares	6,277	105
Proceeds from bank overdrafts	948	941
(Repayment of)/proceeds from bank loans	(1,874)	1,408
Repayment of finance leases	(1)	(79)
(Repayment of)/proceeds from loans from minority shareholder of a subsidiary company, net	(19)	540
Net cash provided by financing activities	3,422	1,366
Net change in cash and cash equivalents	(250)	(4,680)
Cash and cash equivalents at beginning of financial year (Note 17)	6,005	10,685
Cash and cash equivalents at end of financial year (Note 17)	5,755	6,005

The accounting policies and explanatory notes on pages 46 to 85 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005

(In Singapore dollars)

1. CORPORATE INFORMATION

MTQ Corporation Limited is a public limited liability 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 Company are those of an investment holding and management company.

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

During the financial year, the Company's wholly-owned subsidiary company, MTQ Equipment Rental Pte. Ltd. (formerly known as MTQ Services Pte. Ltd.) entered into the business of renting oilfield equipment and spare parts.

There have been no other significant changes in the Group's activities during the financial year.

The Company and the Group employed 17 and 258 (2004 : 16 and 247) employees as at 31 March 2005, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, Cap. 50.

The financial statements have been prepared on a historical cost basis.

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

The financial statements are presented in Singapore dollars (\$).

(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) Intangible assets

(i) 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. Goodwill is stated at cost less accumulated amortisation and any impairment losses.

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) *Intangible assets (cont'd)*

(ii) Goodwill on business acquisition

Goodwill on business acquisition represents the excess of the cost of the acquisition over the fair value of the identifiable net assets of the business acquired. 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. Goodwill is stated at cost less accumulated amortisation and any impairment losses.

(iii) Negative goodwill

Negative goodwill arising on acquisition represents the excess of the fair value of the identifiable net assets acquired over the cost of acquisition.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over 3 years, the weighted average useful life of those assets that are depreciable or amortisable. Negative goodwill in excess of fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

Negative goodwill is presented in the same balance sheet classification as goodwill. With respect to associated companies, negative goodwill is included in the carrying value of the investment.

(d) *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.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less impairment losses.

(e) *Associated company*

An associated company is defined as a company, not being a subsidiary company, in which the Group has a long term interest of not less than 20% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's investment in associated company is accounted for under the equity method. Investment in associated company is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associated company, less any dividend income received and impairment loss. The Group's investment in associated company includes negative goodwill which is treated in accordance with the accounting policy for negative goodwill stated in (c).

The associated company is listed on the Australian Stock Exchange and announces its financial statements every half yearly. The dates of its audited financial statements are not co-terminous with those of the Group. In applying the equity method, the Group accounts for its share of the associated company from the last audited financial statements available and the unaudited financial statements after they have been announced. This is applied on a consistent basis and adjustments are made for any significant events that occur between the date of the associated company's financial statements and the date of the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) *Associated company (cont'd)*

When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition of losses is discontinued except to the extent of the Group's commitment.

Intercompany transactions, including intercompany profits and unrealised profits and losses are eliminated. Unrealised gains arising from transactions with associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

The Group's share of the results of the associated company is included in the consolidated profit and loss account. Investment in associated company is stated at cost less any impairment loss in the balance sheets of the subsidiary companies.

Details of the associated company are set out in Note 29 to the financial statements.

(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 robotics and equipment rental 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.

Interest income is recognised on time proportion basis.

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

(g) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss. 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.

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Leases (cont'd)

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) Other investments

Other investments held on a long term basis are stated at cost less provision for diminution in value.

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.

(j) Depreciation

Depreciation, except for freehold building and certain property, plant and equipment of an Australian subsidiary company which are depreciated on the reducing balance basis, 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. The estimated useful lives of property, plant and equipment are as follows:

Straight-line basis

Leasehold land and buildings	-	50 years or the remaining term of the lease, whichever is lower
Plant, workshop and rental equipment	-	5 to 10 years
Furniture and fixtures	-	5 to 10 years
Motor vehicles	-	5 years
Office equipment	-	1 to 5 years

Reducing balance basis

Freehold building	-	20 years
Furniture and fixtures	-	3 to 10 years
Plant, workshop and rental equipment	-	3 to 10 years
Motor vehicles	-	3 to 10 years

The useful life and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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

Inventories are stated at the lower of cost, and net realisable value. Cost includes all costs in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less anticipated cost of disposal and after making allowance for damaged, obsolete and slow-moving items.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Inventories (cont'd)

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. An expected loss on the contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

(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.

A provision for restructuring is recognised for the expected costs associated with the restructuring of the Group's activities when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. The provision is based on the best estimate of the direct expenditures to be incurred which are both necessarily entailed by the restructuring and not associated with the on-going activities of the Group.

(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 assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

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

(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 losses and unabsorbed capital allowances, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax losses and unused tax credits can be utilised.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(q) *Employee benefits*

Pension schemes

As required by law, the Group's companies in Singapore make contributions to the state pension scheme, the Central Provident Fund ("CPF"). Certain of the Group's companies outside Singapore make contributions to their respective countries' pension schemes. Such contributions are recognised as compensation expenses charged against the profit and loss account in the same period as the employment that gives rise to the contributions.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to balance sheet date.

Equity compensation plans

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

The exercise prices of options granted under the Previous Scheme and the Scheme approximate the market value of the share at the dates of grant. The exercise price of options granted under the 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. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital and share premium accordingly.

(r) *Foreign currencies*

Transactions arising in foreign currencies during the financial 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income or as a revaluation increase. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

(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.

(u) *Cash and cash equivalents*

Cash comprises cash at bank and in hand as well as fixed deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(v) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segments), or in products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments and the Group's internal reporting structure. The primary format, business segments, is based on the Group's principal activities.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

3. REVENUE

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

Revenue for the Company represents dividend income, as well as rental and management fees invoiced for the use of its premise and corporate services rendered to its subsidiary companies.

(In Singapore dollars)

4. OTHER REVENUE

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Rental income	322	280	322	280
Interest income	81	60	30	31
Other income	100	110	-	7
	503	450	352	318

5. (LOSS)/ PROFIT FROM OPERATING ACTIVITIES

(Loss)/ profit from operating activities is stated after charging/(crediting):

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(a) Manpower costs				
Directors' remuneration:				
- Directors of the Company				
• Salaries, wages and bonuses	368	430	368	430
• Contributions to CPF and other defined contribution plans	5	(5)	5	(5)
- Directors of the subsidiary companies				
• Salaries, wages and bonuses	913	1,275	-	-
• Contributions to CPF and other defined contribution plans	42	139	-	-
• Others	146	117	-	-
Fees paid to a firm in which a Director has an interest	377	646	-	-
Other employees' remuneration:				
• Salaries, wages and bonuses	11,835	10,260	776	762
• Contributions to CPF and other defined contribution plans	1,071	1,177	92	93
• Others	1,701	1,411	25	63
	16,458	15,450	1,266	1,343
Less: Staff costs capitalised	(241)	(639)	-	-
	16,217	14,811	1,266	1,343

Manpower costs of the Company and the Group amounting to \$nil and \$6,386,000 (2004 : \$nil and \$5,333,000) respectively have been included in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005

(In Singapore dollars)

5. (LOSS)/ PROFIT FROM OPERATING ACTIVITIES (cont'd)

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(b) Exceptional items				
Provision for impairment of property, plant and equipment	5,164	-	-	-
Provision for doubtful debts due from subsidiary companies	-	-	3,589	61
Provision for impairment in value of investments in subsidiary companies, net	-	-	1,732	1,506
Provision for restructuring costs	-	332	-	-
	5,164	332	5,321	1,567
(c) Other expenses				
Amortisation of goodwill on business acquisition	365	243	-	-
Non-audit fees paid to				
- Auditors of the Company	103	78	50	29
- Other auditors	112	107	-	-
Depreciation of property, plant and equipment	4,866	3,824	404	476
Directors' fees				
- Directors of the Company	120	135	120	135
- Other Directors	4	4	-	-
(Gain)/ loss on exchange, net	(223)	(1,600)	14	11
Goodwill written off	5	81	-	-
Inventories written (back)/ off	(36)	229	-	-
Provision for inventories obsolescence	246	-	-	-
Loss/(profit) on sale of property, plant and equipment, net	40	6	-	(3)
Bad debts written off	-	79	-	-
Loss on dilution of shareholding in associated company	54	-	-	-
Dilution of minority interests in a subsidiary company	-	(18)	-	-
Provision for doubtful debts, net				
- Specific	294	(59)	-	-
- General	32	111	-	-

Depreciation of property, plant and equipment for the Group amounting to \$3,195,000 (2004 : \$2,879,000) has been included in cost of sales.

(In Singapore dollars)

5. (LOSS)/ PROFIT FROM OPERATING ACTIVITIES (cont'd)

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

Number of Directors in remuneration bands

	Company	
	2005	2004
\$500,000 and above	-	-
\$250,000 to \$499,999	1	1
Below \$250,000	4	5
Total	<u>5</u>	<u>6</u>

6. FINANCE COSTS

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Interest on				
- Bank loans and overdrafts	1,330	1,126	-	4
- Finance leases	-	7	-	-
- Loans from a minority shareholder of a subsidiary company (Note 21)	23	16	-	-
- Others	16	-	-	-
	<u>1,369</u>	<u>1,149</u>	<u>-</u>	<u>4</u>

7. TAXATION

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current taxation				
Provision for the year	153	968	475	-
Overprovision in respect of prior years	(75)	(83)	-	(24)
	<u>78</u>	<u>885</u>	<u>475</u>	<u>(24)</u>
Deferred taxation				
Movements in temporary differences	45	178	(14)	(27)
Reduction in tax rate	-	(17)	-	(16)
Overprovision in respect of prior years	(297)	(63)	(46)	(9)
	<u>(252)</u>	<u>98</u>	<u>(60)</u>	<u>(52)</u>
Share of taxation of associated company	738	(107)	-	-
	<u>564</u>	<u>876</u>	<u>415</u>	<u>(76)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005

(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 (loss)/profit from operations before taxation is as follows:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(Loss)/profit from operations before taxation	(2,819)	2,203	(3,613)	(1,988)
Less: Share of results of associated company	(3,514)	(1,366)	-	-
	(6,333)	837	(3,613)	(1,988)
Tax at Singapore statutory tax rate of 20% (2004 : 20%)	(1,267)	167	(723)	(398)
Tax effect of expenses not deductible for tax purposes	496	327	1,195	371
Tax effect of income not subject to tax	(39)	(95)	(11)	-
Deferred tax assets not recognised	1,248	411	-	-
Utilisation of deferred tax assets previously not recognised	(189)	-	-	-
Effect of difference in effective tax rates of other countries	(83)	345	-	-
Overprovision of tax in respect of prior years	(372)	(146)	(46)	(33)
Effect of change in statutory tax rate	-	(17)	-	(16)
Others	32	(9)	-	-
	(174)	983	415	(76)
Add: Share of taxation of associated company	738	(107)	-	-
	564	876	415	(76)

As at 31 March 2005, certain subsidiary companies had unutilised tax losses of approximately \$5,873,000 (2004 : \$7,010,000) and unabsorbed capital allowances of approximately \$5,710,000 (2004 : \$1,755,000), net of amounts transferred under the group relief transfer system, available for setoff against future taxable income, subject to agreement with the relevant authorities.

The potential tax benefit of approximately \$4,146,000 (2004 : \$1,923,000) 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.

(In Singapore dollars)

8. (LOSS)/ EARNINGS PER SHARE

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

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

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

	Group	
	2005	2004
	\$'000	\$'000
Net (loss)/profit attributable to shareholders	(1,964)	1,705
	Number of shares	
	'000	'000
Weighted average number of ordinary shares in issue applicable to basic (loss)/ earnings per share	94,922	79,431
Effect of dilutive securities:		
Share options	141	298
Adjusted weighted average number of ordinary shares applicable to diluted (loss)/ earnings per share	95,063	79,729
	Cents	Cents
(Loss)/earnings per share		
- Basic	(2.07)	2.15
- Diluted	(2.07)	2.14

There have been no other transactions involving ordinary shares since the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005

(In Singapore dollars)

9. GOODWILL

	Group \$'000
Cost	
At 1 April 2004	7,783
Currency realignment	91
Acquisition of additional interests in a subsidiary company	5
Goodwill written off	<u>(5)</u>
At 31 March 2005	<u>7,874</u>
Accumulated amortisation	
At 1 April 2004	325
Currency realignment	16
Amortisation	<u>365</u>
At 31 March 2005	<u>706</u>
Net book value	
At 31 March 2005	<u>7,168</u>
At 31 March 2004	<u>7,458</u>

The amortisation charge is recognised as part of other operating expenses.

(In Singapore dollars)

10. PROPERTY, PLANT AND EQUIPMENT, NET

Group	Freehold land	Freehold buildings	Leasehold land and buildings	Plant, workshop and rental equipment	Furniture and fixtures, office equipment and motor vehicles	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
At 1 April 2004	316	406	6,781	38,358	5,729	455	52,045
Currency realignment	4	5	(28)	(27)	33	-	(13)
Additions	-	-	-	1,526	2,486	279	4,291
Disposals/ written off	-	-	-	(7,730)	(276)	(261)	(8,267)
Transfers	-	-	-	97	(203)	106	-
At 31 March 2005	320	411	6,753	32,224	7,769	579	48,056
Accumulated depreciation/ provision for impairment							
At 1 April 2004	-	87	4,620	18,994	3,046	-	26,747
Currency realignment	-	2	(7)	(3)	52	-	44
Depreciation	-	20	299	3,167	1,380	-	4,866
Disposals/ written off	-	-	-	(7,624)	(153)	-	(7,777)
Impairment of assets	-	-	65	4,906	-	193	5,164
At 31 March 2005	-	109	4,977	19,440	4,325	193	29,044
Depreciation for 2004	-	20	300	2,862	642	-	3,824
Net book value							
At 31 March 2005	320	302	1,776	12,784	3,444	386	19,012
At 31 March 2004	316	319	2,161	19,364	2,683	455	25,298

The above property, plant and equipment include plant and equipment located in Shanghai with net book value of \$14,000 (2004 : \$22,000).

As at the end of the financial year, the net book value of property, plant and equipment under finance leases amounted to \$nil (2004 : \$114,000).

As at the end of the financial year, the net book value of property, plant and equipment depreciated on the reducing balance basis amounted to \$3,719,000 (2004 : \$3,493,000).

The provision for impairment relates to the write down to recoverable amounts in respect of certain property, plant and equipment:

	\$'000
Plant, workshop and rental equipment	5,099
Leasehold land and building	65
	<u>5,164</u>

The provision for impairment is included as part of other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005

(In Singapore dollars)

10. PROPERTY, PLANT AND EQUIPMENT, NET (cont'd)

(a) Impairment of plant, workshop and rental equipment

MTQ Subsea Technology Pte Ltd, a subsidiary company, after an ongoing review of its loss-making subsea robotics operations, decided to include divestment of its fleet of remotely operated vehicles ("ROVs") as one of its business options. The recoverable amount was determined at the cash generating unit level (comprising the ROVs fleet) and reflects the net selling price estimated based on market enquiries in respect of the assets.

(b) Impairment of leasehold land and building

Following the winding down of its foundry business in June 2001, Metalock Castings Sdn Bhd, a subsidiary company had entered into a conditional Sale and Purchase Agreement ("S&P") on 7 January 2005 to sell its property at Lot 120056, No. 3, Hala Jati 10, Taman Meru Industrial Estate, Jelapang 30020, Ipoh, Perak, Malaysia. The recoverable amount was determined at individual asset level and reflects the net selling price determined based on the price agreed with the contracted buyer pursuant to the S&P signed.

Company	Leasehold land and buildings \$'000	Workshop equipment \$'000	Furniture and fixtures, office equipment and motor vehicles \$'000	Total \$'000
Cost				
At 1 April 2004	6,004	1,060	1,971	9,035
Additions	-	-	26	26
Disposals/written off	-	(1)	(9)	(10)
At 31 March 2005	6,004	1,059	1,988	9,051
Accumulated depreciation				
At 1 April 2004	4,440	1,038	1,675	7,153
Depreciation	285	8	111	404
Disposals/written off	-	(1)	(7)	(8)
At 31 March 2005	4,725	1,045	1,779	7,549
Depreciation for 2004	284	8	184	476
Net book value				
At 31 March 2005	1,279	14	209	1,502
At 31 March 2004	1,564	22	296	1,882

(In Singapore dollars)

10. PROPERTY, PLANT AND EQUIPMENT, NET (cont'd)

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

Location	Description	Area	Tenure	2005 Net book value
		sq. m.		\$'000
Freehold land and buildings				
32 Raynham Street Salisbury Queensland 4107 Australia	Office building and workshop	2,200	Freehold	622
Leasehold land and buildings				
182 Pandan Loop Singapore 128373	Office building and workshop	4,460	30 years lease from 16.09.1979	1,279
3 Hala Jati 10 Taman Meru Industrial Estate Jelapang 30200 Ipoh Perak Malaysia	Office building and workshop	2,732	60 years lease from 06.09.1984	497
Total				1,776

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005

(In Singapore dollars)

11. SUBSIDIARY COMPANIES

	Company	
	2005 \$'000	2004 \$'000
Unquoted shares, at cost		
At beginning of financial year	27,496	25,312
Subscription and acquisition of additional shares in a subsidiary company	69	610
Liquidation of a subsidiary company	-	(2,156)
Incorporation of new subsidiary companies	-	3,730
At end of financial year	27,565	27,496
Provision for impairment in value of investments	(10,748)	(9,016)
Net investment in unquoted shares	16,817	18,480
Inter-company indebtedness		
Amounts owing by subsidiary companies (Trade)	57	154
Amounts owing by subsidiary companies (Non-trade)	12,670	11,626
Loans to subsidiary companies		
- Interest free	6,298	2,639
- Interest bearing	179	179
Provision for amounts owing by subsidiary companies	(3,789)	(200)
	15,415	14,398
Amounts owing to subsidiary companies (Non-trade)	(4,232)	(5,437)
Loan from a subsidiary company	(1,036)	(1,396)
	10,147	7,565
	26,964	26,045
Analysis of provision for impairment in value of investments:		
At beginning of financial year	9,016	9,666
Provision made during the financial year	2,323	1,506
Provision written back during the financial year	(591)	-
Provision written off during the financial year	-	(2,156)
At end of financial year	10,748	9,016

Provision for impairment in value of investments, offset by provision written back, is recognised as part of other operating expenses.

(In Singapore dollars)

11. SUBSIDIARY COMPANIES (cont'd)

	Company	
	2005	2004
	\$'000	\$'000
Analysis of provision for amounts owing by subsidiary companies:		
At beginning of financial year	200	1,876
Provision made during the financial year	3,589	61
Provision written off during the financial year	-	(1,737)
At end of financial year	3,789	200

Interest bearing loan due from a subsidiary company is unsecured and bears interest ranging between 2.62% and 3.95% (2004 : 2.61% and 2.80%) per annum, which is 2.00% above interbank swap rate. The loan and other amounts owing by the subsidiary company are not expected to be repaid until such time that the subsidiary company is in a net asset position or unless such repayment will not jeopardise its ability to meet its obligations as and when they fall due.

Apart from the above, trade and non-trade amounts owing by/to other subsidiary companies and loan from a subsidiary company are unsecured, interest free and repayments are not expected unless they will not jeopardise the ability of these subsidiary companies to meet their obligations as and when they fall due.

Further details regarding subsidiary companies are set out in Note 27.

12. ASSOCIATED COMPANY

	Group	
	2005	2004
	\$'000	\$'000
Quoted shares, at cost	6,776	5,306
Share of post-acquisition reserves	1,174	306
Recognition of negative goodwill	2,328	929
Currency realignment	860	693
	11,138	7,234
Market value of quoted shares at 31 March	17,135	7,870

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12. ASSOCIATED COMPANY (cont'd)

	Group \$'000
Movements in negative goodwill during the financial year:	
Cost	
At 1 April 2004	3,321
Currency realignment	39
Acquisition of additional shares	(16)
At 31 March 2005	<u>3,344</u>
Accumulated amount recognised as income	
At 1 April 2004	923
Currency realignment	60
Recognised during the financial year	1,011
Recognised due to dilution of interest	388
At 31 March 2005	<u>2,382</u>
Carrying amount	
At 31 March 2005	<u>962</u>
At 31 March 2004	<u>2,398</u>

Negative goodwill recognised as income is included as part of share of results of associated company.

Further details regarding the associated company are set out in Note 29.

13. OTHER INVESTMENTS

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Unquoted investment, at cost	685	685	685	685
Provision for diminution in value of unquoted investment	(685)	(685)	(685)	(685)
	-	-	-	-

There is no movement during the financial year in the provision for diminution in value of unquoted investment.

14. LONG TERM RECEIVABLES

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade receivables (Note 27 (ii))	662	-	-	-
Staff loans, non-current	363	228	106	48
	<u>1,025</u>	228	<u>106</u>	48

(In Singapore dollars)

14. LONG TERM RECEIVABLES (cont'd)

Staff loans relate to interest free loans extended to Directors of subsidiary companies and the management staff of the Company and of the Group to purchase cars. These loans shall be repaid by monthly instalments over seven years with the last repayment due in year 2011. 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 16.

15. INVENTORIES

	Group	
	2005	2004
	\$'000	\$'000
First-in-first-out basis		
- Finished goods	261	129
- Raw materials	260	269
- Work-in-progress	1,292	1,153
- Engines and spares	161	139
	<u>1,974</u>	<u>1,690</u>
Weighted average basis		
- Finished goods	6,052	5,894
- Goods-in-transit	3	82
	<u>6,055</u>	<u>5,976</u>
	<u>8,029</u>	<u>7,666</u>
Finished goods, raw materials and engines and spares are stated after deducting a provision for obsolescence of:		
- First-in-first-out basis	248	200
- Weighted average basis	20	-
	<u>268</u>	<u>200</u>
Analysis of provision for obsolescence of inventories:		
At beginning of financial year	200	200
Charge to profit and loss	246	-
Inventories written off	(178)	-
At end of financial year	<u>268</u>	<u>200</u>
Inventories written (back)/ off directly to profit and loss account, net	<u>(36)</u>	<u>229</u>

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(In Singapore dollars)

16. RECEIVABLES

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade receivables	10,878	10,176	-	-
Advances to suppliers	46	86	-	-
Sundry deposits	15	58	3	3
Prepayments	167	189	24	26
Rental receivable	285	283	285	283
Sundry receivables	1,002	300	63	78
Staff loans, current (Note 14)	100	89	26	25
	12,493	11,181	401	415
Trade receivables are stated after deducting provision for doubtful debts of	762	546	113	113
Analysis of provision for doubtful debts:				
At beginning of financial year	546	562	113	113
Currency realignment	2	27	-	-
Charge/(write back) to profit and loss account, net				
- Specific	294	(59)	-	-
- General	32	111	-	-
Bad debts written off	(112)	(95)	-	-
At end of financial year	762	546	113	113
Bad debts written off directly to profit and loss account	-	79	-	-

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise of cash at bank and in hand and fixed deposits less unsecured bank overdraft, which form an integral part of the Group's cash management.

	Group	
	2005 \$'000	2004 \$'000
Cash at bank and in hand	3,320	2,446
Fixed deposits	2,435	3,809
Bank overdraft, unsecured	-	(250)
	5,755	6,005

Fixed deposits with financial institutions mature on varying periods within 7 days (2004 : within 7 days) from the financial year end. Interest rates range from 0.25% to 1.45% (2004 : 0.19% to 0.44%) per annum.

(In Singapore dollars)

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade payables	5,335	5,499	24	24
Sundry payables	3,011	2,746	417	280
Accruals for staff related costs	2,882	2,462	243	301
	11,228	10,707	684	605

19. BANK BORROWINGS

	Group	
	2005 \$'000	2004 \$'000
Current		
Bank overdraft, unsecured	-	250
Bank overdrafts, secured	2,875	1,910
Short term bank loan, unsecured	327	-
Short term bank loans, secured	4,077	2,600
Long term bank loans, secured	3,985	3,649
	11,264	8,409
Non-current		
Long term bank loans, secured	7,980	11,869

The unsecured bank overdraft has been fully repaid during the year.

Interest is payable on the unsecured short term bank loan at the rate between 6.50% and 6.88% per annum, which is 2.50% above the bank's cost of funds.

The secured bank overdrafts, short term bank loans and long term bank loans relate to facilities utilised by three subsidiary companies as follows:

- (i) Total bank borrowings in Australian Dollars equivalent to \$11,913,000 granted to a subsidiary company, of which \$6,090,000 falls due after one year, is secured by the following:
 - first legal mortgage over the subsidiary company's freehold property at 32 Raynham St. Salisbury, Queensland, Australia, with a net book value of \$622,000 as at 31 March 2005;
 - legal assignment of the sale proceeds of the aforementioned property;
 - legal charge over the equity interest held by the subsidiary company in another body corporate;
 - corporate guarantee from the Company;
 - fixed and floating charge over the assets of the subsidiary company; and
 - deed of subordination from a fellow subsidiary company.

Interest is payable on the secured bank overdrafts at the rate between 8.50% and 8.75% (2004 : 10.50%) per annum, which is 2.00% above the bank's reference lending rate.

NOTES TO THE FINANCIAL STATEMENTS

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(In Singapore dollars)

19. BANK BORROWINGS (cont'd)

The secured short term bank loans are 30 to 90-day revolving loans and interest is payable thereon at the rate between 7.71% and 8.05% (2004 : not applicable) per annum, which is 4.00% above the bank's bill rate or cost of funds, whichever is higher.

The long term bank loans mature in September 2008 and October 2008, and are repayable in equal monthly instalments. Interest is payable on the loans at the rate between 7.71% and 8.05% (2004 : 7.78% and 7.79%) per annum, which is 2.00% above the bank's 30-day bill rate.

(ii) Total bank borrowings of \$6,204,000 granted to a second subsidiary company, of which \$1,890,000 falls due after one year, are secured by the following:

- floating charge over its assets;
- corporate guarantees from its subsidiary company and the Company;
- personal guarantee from its minority shareholder;
- deed of subordination from the Company and its minority shareholder; and
- standby letter of credit supported by its minority shareholder.

Interest is payable on the secured bank overdrafts at the rate of 6.00% (2004 : 6.00%) per annum, which is 1.00% above the bank's prime lending rate.

The secured short term bank loans are 90-day revolving loans and interest is payable thereon at the rate between 2.64% and 4.08% (2004 : 2.54% and 2.91%) per annum, which is 2.00% above the swap rate.

Interest is payable on the long term bank loans at the rate of 5.25% (2004: 5.25% to 5.50%) per annum, which is 0.25% above the bank's prime lending rate. The loans are repayable in equal monthly instalments within each financial year as follows:

	\$'000
Financial year 2006	800
Financial year 2007	1,050
Financial year 2008	840
	<u>2,690</u>

(iii) Total bank borrowings of \$800,000 granted to a third subsidiary company which falls due within one year, is secured by the following:

- fixed charge on certain workshop equipment with a net book value of \$1,377,931 (2004 : \$1,869,789) purchased with the bank borrowings; and
- corporate guarantee provided by the Company.

The loan is repayable on a semi-annual basis and matures on 31 December 2005. Interest is payable on the loan at the rate of 2.88% (2004 : 0.75%) per annum, which is 2.00% above the bank's cost of funds.

(In Singapore dollars)

20. FINANCE LEASE PAYABLES

	Group	
	2005 \$'000	2004 \$'000
Finance lease payables	-	1

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

Group	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	2005 \$'000	2005 \$'000	2004 \$'000	2004 \$'000
Within one year	-	-	1	1
After one year but not more than five years	-	-	-	-
Total minimum lease payments	-	-	1	1
Less: Amounts representing finance charges	-	-	-	-
Present value of minimum lease payments	-	-	1	1

21. LOANS FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY COMPANY

	Group	
	2005 \$'000	2004 \$'000
Loans from a minority shareholder of a subsidiary company	1,390	1,386

The loans from a minority shareholder of a subsidiary company relate to loans from Mr Samuel Bernard Sassoon to MTQ Subsea Technology Pte Ltd, a 77.51% owned subsidiary company of the Company. Mr Sassoon is also a director of MTQ Subsea Technology Pte Ltd.

The loans are unsecured and interest free, except for an amount of \$728,545 (2004: \$727,000) which bears interest from 2.62% to 3.95% (2004: 2.61% to 2.87%) per annum.

The minority shareholder has provided a letter of financial support undertaking not to demand repayment of such sums until such time that the subsidiary company is in a net asset position, unless such amounts recalled will not jeopardise the ability of the subsidiary company to meet its obligations as and when they fall due.

The bank borrowings of the subsidiary company are also secured by a personal guarantee and a standby letter of credit supported by the minority shareholder as detailed in Note 19.

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(In Singapore dollars)

22. DEFERRED TAX LIABILITIES/(ASSETS)

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
At beginning of financial year	103	72	132	184
Currency realignment	(11)	(67)	-	-
(Write back)/provision during the financial year	(252)	98	(60)	(52)
At end of financial year	(160)	103	72	132
Deferred tax liabilities				
Excess of net book value over tax written down value of property, plant and equipment	1,153	377	90	105
Unrealised foreign exchange difference	325	426	-	57
Others	217	217	-	2
	1,695	1,020	90	164
Deferred tax assets				
Unabsorbed capital allowances and tax losses	(1,112)	(151)	-	(1)
Employee benefits	(480)	(489)	(18)	(19)
Others	(263)	(277)	-	(12)
	(1,855)	(917)	(18)	(32)
	(160)	103	72	132

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	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Deferred tax assets	(539)	(356)	-	-
Deferred tax liabilities	379	459	72	132
	(160)	103	72	132

(In Singapore dollars)

23. SHARE CAPITAL

	Group and Company	
	2005	2004
	\$'000	\$'000
Authorised		
120,000,000 ordinary shares of \$0.25 each	30,000	30,000
Issued and fully-paid		
At beginning of financial year		
79,549,000 (2004 : 79,200,000) ordinary shares of \$0.25 each	19,887	19,800
Issued during the financial year		
25,000 (2004 : 349,000) ordinary shares of \$0.25 each issued pursuant to exercise of options for cash at a premium of \$0.05 each	6	87
15,871,000 (2004 : nil) ordinary shares of \$0.25 each issued pursuant to share placement for cash at a premium of \$0.15	3,968	-
At end of financial year		
95,445,000 (2004 : 79,549,000) ordinary shares of \$0.25 each	23,861	19,887

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.

There are outstanding options to subscribe for ordinary shares of the Company granted under the Previous Scheme and the Scheme as disclosed in Note 30.

24. RESERVES

	Group		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Distributable reserves				
- Retained earnings	4,880	8,923	1,299	7,236
- Foreign currency translation reserve	1,559	1,505	-	-
Non-distributable reserve				
- Share premium	4,265	1,962	4,265	1,962
	10,704	12,390	5,564	9,198

Foreign currency translation reserve

The foreign currency translation reserve comprises translation differences arising from the translation of assets and liabilities of foreign subsidiary companies and associated company for inclusion in the consolidated financial statements.

Share premium

The share premium account represents net cash proceeds received in excess of the par value of the shares issued by the Company. The utilisation of the share premium account is governed by Section 69-69F of the Singapore Companies Act, Cap. 50.

Movements in reserves are set out in the statements of changes in equity.

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(In Singapore dollars)

25. MINORITY INTERESTS

Included in minority interests is the share by a minority shareholder of a subsidiary company of the negative net worth of the subsidiary company amounting to \$792,000 (2004 : nil), arising mainly due to the provision for impairment of its plant and equipment. The minority shareholder's deemed obligations to share in such deficit is detailed in Note 21.

26. DIVIDENDS

	Group and Company	
	2005 \$'000	2004 \$'000
Paid in respect of the previous financial year		
- Final dividend of 6%, less tax	1,145	928
Paid in respect of the current financial year		
- Interim dividend of 4%, less tax	764	621
	1,909	1,549
After the balance sheet date, the Directors proposed the following dividends		
- Final dividend of 6%, less tax	1,145	1,145

Proposed dividend is calculated based on total ordinary shares issued as at 23 June 2005.

The proposed dividends in respect of the current financial year 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.

27. COMMITMENTS AND CONTINGENCIES

Operating leases

The Group leases certain properties 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	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Within one year	1,068	1,145	216	190
After one year but not more than five years	2,232	3,138	784	770
More than five years	-	97	-	97
	3,300	4,380	1,000	1,057

(In Singapore dollars)

27. COMMITMENTS AND CONTINGENCIES (cont'd)

Capital expenditure

As at the end of the financial year, the Group has the following capital expenditure commitments:

	Group	
	2005	2004
	\$'000	\$'000
Authorised but not committed	2,174	2,211
Authorised and committed	202	159
	2,376	2,370

Contingent liabilities

- (i) As at 31 March 2005, the corporate guarantees provided by the Company to banks for facilities extended to subsidiary companies amounted to \$23,365,000 (2004 : \$23,394,000).
- (ii) MTQ Engine Systems (Aust) Pty Ltd ("MTQES"), a wholly-owned subsidiary company of the Company, had previously supplied a turbocharger to CSR Limited ("CSR") in 2002 (the "2002 Turbocharger"). The turbocharger was destroyed in an incident in early February 2003 and CSR contracted with MTQES to provide a replacement turbocharger (the "2003 Turbocharger"). MTQES separately invoiced CSR for each of the turbochargers, but only received payment for the 2002 Turbocharger. MTQES commenced proceedings against CSR in the Supreme Court of Queensland in Brisbane in September 2003 to recover the 2003 Turbocharger invoice sum being A\$516,714 (approximately S\$662,000) plus interests and costs.

CSR has defended the proceedings and filed a counterclaim against MTQES for loss and damage of approximately A\$1,200,000 (approximately S\$1,538,000) suffered by CSR, alleging that the turbochargers were not in conformity with the relevant contracts. CSR claimed that the turbochargers supplied by MTQES were not authentic and were not new and as a result the turbochargers have either failed or had to be removed from the relevant vessel operated by CSR. On 21 December 2004, CSR served expert reports in support of its counterclaim against MTQES. MTQES is currently in the process of obtaining relevant expert evidence to support its claim against CSR. MTQES' supplier has denied CSR's allegations in relation to the non-conformance/ authenticity of the relevant turbocharger components.

MTQES' insurer has admitted liability to indemnify MTQES for part of the counterclaim by CSR. MTQES has reserved its rights against the insurers in relation to the balance of the claim, as well as its insurance broker in relation to the adequacy or otherwise of the coverage of the relevant policy of insurance.

Given the steps yet to be taken in respect of the litigation, no provision has been made in the financial statements at this stage, other than a provision for legal fees. The total outstanding amount due from CSR has been classified as long term receivables under Note 14.

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27. COMMITMENTS AND CONTINGENCIES (cont'd)

Forward exchange contracts

As at financial year end, the Group has the following outstanding forward foreign exchange contract commitment:

	Forward exchange rate		Notional amount	
	2005	2004	2005 \$'000	2004 \$'000
To sell:				
- United States dollars	<u>1.6510</u>	1.6708	<u>413</u>	535

Fair value adjustment amounted to a gain of approximately \$4,250 as at financial year end.

The fair value adjustment represents the difference between the contracted rate and market rate of the forward foreign exchange contract at the balance sheet date. The market rate used is quoted by the Group's banker assuming the contract was to be liquidated at balance sheet date. This fair value adjustment is not recognised in the financial statements.

Other commitments

Consultancy agreement

MTQ Engine Systems (Aust) Pty Ltd ("MTQES"), a wholly-owned subsidiary company, entered into a consultancy agreement during the financial year ended 31 March 2004 with its director, Mr Don Wilkey, for the provision of consultancy services in respect of the development of its fuel injection business. Mr Wilkey is also the owner of Adelaide Fuel Injection group of companies, the business of which was acquired by MTQES on 24 October 2003. Under the agreement, MTQES has to pay a fee of A\$100,000 (approximately S\$124,000) per annum for the consultancy services, six monthly in arrears over 5 years, commencing 23 April 2004.

Sale and purchase agreement

During the financial year, Metalock Castings Sdn Bhd, a 99.9% owned subsidiary company entered into a sale and purchase agreement to dispose all its property, plant and equipment at a consideration of RM1,200,000 (approximately S\$516,000). However, the said disposal was not reflected in the year under review pending regulatory consent, which is the condition precedent for the sale, was obtained after the balance sheet date. Nevertheless, impairment losses of RM148,000 (approximately S\$65,000) was provided for to write down the property, plant and equipment to their net realisable values.

28. INFORMATION BY SEGMENT ON THE 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) Investment holding

Provides management and corporate services to its subsidiary companies. It also derives dividend and rental income from its subsidiary companies and associated company. The Group's central overheads are also classified here. This segment operates mainly in Singapore and Australia.

(ii) Oilfield engineering

Provides engineering services for the repair and reconditioning of oilfield equipment such as valves and blow-out preventers used in the oil and gas industry. This segment also engages in the business of renting oilfield equipment and spare parts. This segment operates primarily out of Singapore.

(In Singapore dollars)

28. INFORMATION BY SEGMENT ON THE GROUP'S OPERATIONS (cont'd)

(iii) Engine systems

Provides sales and servicing of turbochargers used 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 and services fuel injection parts. This segment operates mainly in Australia and Indonesia.

(iv) Subsea robotics

Engages in designing, manufacturing and leasing of remotely operated vehicles ("ROVs") for subsea operations. This segment operates mainly in the Asian region. Its ROVs fleet comprises 2 observation class, 2 light work class, 1 heavy work class, and 2 mid-range ROVs.

(v) Multi-disciplined engineering

Provides integrated engineering solutions through 4 core areas of businesses comprising mechanical repairs and maintenance services, equipment manufacture, fabrication, installation and servicing of boilers, site maintenance and construction. This segment is primarily carried out by RCR Tomlinson Ltd, an associated company in Australia.

Inter-segment sales are based on terms determined on a commercial basis. These are eliminated in consolidation.

By industrial segments 2005

	Investment holding	Oilfield engineering	Engine systems	Subsea robotics	Multi- disciplined engineering	Others	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue and expenses								
External sales	-	15,974	33,771	6,724	-	-	-	56,469
Inter-segment sales	2,584	984	-	-	-	-	(3,568)	-
Total sales	2,584	16,958	33,771	6,724	-	-	(3,568)	56,469
Segment results	(3,265)	2,852	(381)	(1,865)	-	(86)	2,945	200
Exceptional items	-	-	-	(5,099)	-	(65)	-	(5,164)
	(3,265)	2,852	(381)	(6,964)	-	(151)	2,945	(4,964)
Finance costs								(1,369)
Share of results of associated company					3,514			3,514
Taxation								(564)
Minority interests								1,419
Net loss attributable to shareholders								(1,964)

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28. INFORMATION BY SEGMENT ON THE GROUP'S OPERATIONS (cont'd)

By industrial segments 2005

	Investment holding \$'000	Oilfield engineering \$'000	Engine systems \$'000	Subsea robotics \$'000	Multi- disciplined engineering \$'000	Others \$'000	Eliminations \$'000	Group \$'000
Assets and liabilities								
Segment assets	12,679	15,720	28,362	9,753	11,138	523	(13,555)	64,620
Deferred tax assets								539
Tax recoverable								922
Total assets								<u>66,081</u>
Segment liabilities	(692)	(2,388)	(18,020)	(6,497)	-	(869)	17,238	(11,228)
Provision for taxation								(67)
Deferred tax liabilities								(379)
Bank borrowings								(19,244)
Loans from a minority shareholder of a subsidiary company								(1,390)
Total liabilities								<u>(32,308)</u>
Other segmental information								
Capital expenditure	26	1,075	3,039	154	-	-	(3)	4,291
Depreciation	404	791	1,637	2,023	-	15	(4)	4,866
Other non-cash (income)/ expenses:								
- (Profit)/loss on sale of property, plant and equipment	-	(3)	43	-	-	-	-	40
- Amortisation of goodwill	-	-	365	-	-	-	-	365
- Goodwill written off	-	-	-	-	-	-	5	5
- Loss on dilution of shareholding in associated company	-	-	-	-	54	-	-	54
- Provision for impairment of property, plant and equipment	-	-	-	5,099	-	65	-	5,164
	-	(3)	408	5,099	54	65	5	5,628

(In Singapore dollars)

28. INFORMATION BY SEGMENT ON THE GROUP'S OPERATIONS (cont'd)**By geographical segments
2005**

	Singapore	Australia	United Kingdom	Malaysia	Indonesia	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External sales	21,385	33,452	1,313	-	319	56,469
Segment assets	18,457	38,903	6,152	522	586	64,620
Capital expenditure	1,209	3,036	43	-	3	4,291

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(In Singapore dollars)

28. INFORMATION BY SEGMENT ON THE GROUP'S OPERATIONS (cont'd)

By industrial segments 2004

	Investment holding	Oilfield engineering	Engine systems	Subsea robotics	Multi- disciplined engineering	Others	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue and expenses								
External sales	-	13,657	32,710	6,371	-	-	-	52,738
Inter-segment sales	2,552	-	55	-	-	-	(2,607)	-
Total sales	2,552	13,657	32,765	6,371	-	-	(2,607)	52,738
Segment results	(377)	941	2,455	(810)	-	(92)	201	2,318
Exceptional items	-	-	-	(332)	-	-	-	(332)
	(377)	941	2,455	(1,142)	-	(92)	201	1,986
Finance costs								(1,149)
Share of results of associated company					1,366			1,366
Taxation								(876)
Minority interests								378
Net profit attributable to shareholders								<u>1,705</u>
Assets and liabilities								
Segment assets	12,213	8,102	19,613	12,488	7,234	5,475	195	65,320
Deferred tax assets								356
Tax recoverable								729
Total assets								<u>66,405</u>
Segment liabilities	(605)	(1,626)	(6,416)	(1,949)	-	(111)	-	(10,707)
Provision for taxation								(606)
Deferred tax liabilities								(459)
Bank borrowings								(20,278)
Finance lease payables								(1)
Loans from a minority shareholder of a subsidiary company								(1,386)
Total liabilities								<u>(33,437)</u>

(In Singapore dollars)

28. INFORMATION BY SEGMENT ON THE GROUP'S OPERATIONS (cont'd)

**By industrial segments
2004**

	Investment holding \$'000	Oilfield engineering \$'000	Engine systems \$'000	Subsea robotics \$'000	Multi- disciplined engineering \$'000	Others \$'000	Eliminations \$'000	Group \$'000
Other segmental information								
Capital expenditure	51	187	2,509	565	-	-	-	3,312
Depreciation	476	747	527	2,044	-	16	14	3,824
Other non-cash (income)/ expenses:								
- (Profit)/ loss on sale of property, plant and equipment	(3)	(19)	3	25	-	-	-	6
- Amortisation of goodwill	-	-	243	-	-	-	-	243
- Goodwill written off	-	-	-	-	-	-	81	81
- Provision for restructuring cost	-	-	-	332	-	-	-	332
- Dilution of minority interests in a subsidiary company	-	-	-	-	-	-	(18)	(18)
	(3)	(19)	246	357	-	-	63	644

**By geographical segments
2004**

	Singapore \$'000	Australia \$'000	United Kingdom \$'000	Malaysia \$'000	Indonesia \$'000	Total \$'000
External sales	16,228	32,688	3,800	-	22	52,738
Segment assets	26,468	28,351	10,618	(206)	89	65,320
Capital expenditure	738	2,167	65	-	342	3,312

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005

(In Singapore dollars)

29. SUBSIDIARY COMPANIES AND ASSOCIATED COMPANY

The subsidiary companies and associated company as at 31 March are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
		2005 \$'000	2004 \$'000	2005 %	2004 %
Subsidiary companies:					
Unquoted equity shares held by the Company:					
MTQ Engineering Pte Ltd (Republic of Singapore)	Providing engineering services to oil and gas industry (Republic of Singapore)	1,312	1,312	100	100
MTQ Subsea Technology Pte Ltd (Republic of Singapore)	Designing, building and operation of subsea robotics (Republic of Singapore)	4,679	4,610	77.5	75.0
MTQ Equipment Rental Pte. Ltd. (formerly known as MTQ Services Pte. Ltd.) (Republic of Singapore)	Providing oilfield equipment rental services in oil and gas industry (Republic of Singapore)	6,112	6,112	100	100
MTQ Investments Pte. Ltd. (formerly known as Metalock Oilfield Services Pte Ltd) (Republic of Singapore)	Inactive (Republic of Singapore)	542	542	100	100
Metalock Engineering Pte Ltd (Republic of Singapore)	Inactive (Republic of Singapore)	37	37	100	100
ⁱ MTQ Engine Systems (Aust) Pty Ltd (Australia)	Sales and servicing of turbochargers and fuel injection parts (Australia)	5,295	5,295	100	100
ⁱ MTQ Holdings Pty Ltd (Australia)	Investment holding (Australia)	3,556	3,556	100	100
ⁱⁱ PT MTQ Engine Systems Indonesia (Indonesia)	Sales and servicing of turbochargers (Indonesia)	174	174	100	100
ⁱⁱⁱ Metalock Castings Sdn Bhd (Malaysia)	Inactive (Malaysia)	5,858	5,858	99.9	99.9
ⁱⁱⁱ MTQ Engineering Sdn Bhd (Malaysia)	Inactive (Malaysia)	-♦	-♦	100	100
		27,565	27,496		

(In Singapore dollars)

29. SUBSIDIARY COMPANIES AND ASSOCIATED COMPANY (cont'd)

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
		2005 \$'000	2004 \$'000	2005 %	2004 %
Unquoted equity shares held by subsidiary companies:					
iv MTQ Subsea Limited (United Kingdom)	Operation of Subsea robotics (United Kingdom)	1,734	1,734	77.5	75.0
v Dynamic Turbocharger Services (Australia) Pty Ltd (Australia)	Inactive (Australia)	-♦	-♦	100	100
ii PT MTQ Engine Systems Indonesia (Indonesia)	Sales and servicing of turbochargers (Indonesia)	2	2	100	100
		1,736	1,736		
Associated company:					
Quoted equity shares held by subsidiary companies:					
vi RCR Tomlinson Ltd (Australia)	Provision of multi-disciplined engineering services (Australia)	6,776	5,306	22.0	28.0

- i Audited by Ernst & Young, Australia
- ii Audited by Prasetyo, Sarwoko & Sandjaja, Indonesia, a member firm of Ernst & Young Global
- iii Audited by Ernst & Young, Malaysia
- iv Audited by Ernst & Young, United Kingdom
- v Not required to be audited under the law in its country of incorporation
- vi Audited by RSM Bird Cameron Partners, Australia
- ♦ The cost of investments in each of these subsidiary companies is less than \$1,000

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

During the financial year, the Group acquired additional equity interests in a subsidiary company:

Name of company	Interest acquired %	Interest after acquisition %	Consideration \$'000	Net tangible assets acquired \$'000
MTQ Subsea Technology Pte Ltd	2.5	77.5	69	64

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005

(In Singapore dollars)

30. EMPLOYEE BENEFITS - SHARE OPTIONS

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

MTQ Corporation Executives' Share Option Scheme 2003

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

	No. of options 2005	Weighted average exercise price per share as at 31.3.2005	No. of options 2004	Weighted average exercise price per share as at 31.3.2004
At beginning of financial year	2,846,000	\$0.39	1,355,000	\$0.30
Granted	-	-	1,950,000	\$0.43
Exercised	(25,000)	\$0.30	(349,000)	\$0.30
Cancelled	(160,000)	\$0.35	(110,000)	\$0.32
At end of financial year	<u>2,661,000</u>	\$0.39	<u>2,846,000</u>	\$0.39

The following table summarises information about options outstanding and exercisable as at 31 March 2005 to subscribe for ordinary shares of \$0.25 each in the Company:

Date of grant	No. of options outstanding	Exercise price per share	Exercise period		No. of options exercisable
			From	To	
16 October 2000	200,000	\$0.30	17 October 2002	15 October 2005	200,000
16 October 2000	586,000	\$0.30	17 October 2002	15 October 2010	586,000
31 July 2003	440,000	\$0.43	1 August 2004	30 July 2008	440,000
31 July 2003	1,435,000	\$0.43	1 August 2004	30 July 2013	1,435,000
	<u>2,661,000</u>				<u>2,661,000</u>

Except for the above, no other options were granted by the Company during the financial year.

The holders of the share options have no right to participate by virtue of these options in any share issue of any other company in the Group.

(In Singapore dollars)

30. EMPLOYEE BENEFITS - SHARE OPTIONS (cont'd)

MTQ Subsea Technology Pte Ltd Share Option Scheme

The Subsea Scheme for executive directors and senior executives of MTQ Subsea Technology Pte Ltd was approved on 21 June 2000.

	No. of options 2005	Weighted average exercise price per share as at 31.3.2005	No. of options 2004	Weighted average exercise price per share as at 31.3.2004
At beginning of financial year	413,620	\$1.20	675,000	\$1.20
Exercised	-	\$1.20	(36,380)	\$1.20
Cancelled	(293,880)	\$1.20	(225,000)	\$1.20
At end of financial year	<u>119,740</u>	\$1.20	<u>413,620</u>	\$1.20

The following table summarises information about options outstanding and exercisable as at 31 March 2005 to subscribe for ordinary shares of \$1 each in the subsidiary company:

Date of grant	No. of options outstanding	Exercise price per share	Exercise period		No. of options exercisable
			From	To	
21 June 2000	45,000	\$1.20	21 June 2000	21 June 2010	45,000
10 July 2000	74,740	\$1.20	10 July 2000	10 July 2010	74,740
	<u>119,740</u>				<u>119,740</u>

31. RELATED PARTY TRANSACTIONS

For the purpose of the financial statements, directors of the Company and its subsidiary companies are deemed to be key management personnel as they have authority and responsibility for planning, directing and controlling the activities of the Group.

The remuneration paid to such Directors have been disclosed in Note 5.

One of its subsidiary company had entered into a consultancy agreement with its Director. This has been disclosed in Note 27.

Apart from those disclosed in the financial statements, there are no other significant related party transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005

(In Singapore dollars)

32. 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 condition 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.

Liquidity risk

Liquidity risk is the risk that the Group 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 requirements. 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 raise optimal funding from both capital markets and financial institutions.

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, Indonesian Rupiah, Sterling pounds and US dollars.

The Group, where appropriate, will enter into forward foreign exchange contracts to hedge against its foreign exchange risk in anticipated purchase or sale transactions denominated in foreign currencies.

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.

(In Singapore dollars)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Credit risk (cont'd)

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.

33. COMPARATIVE FIGURES

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

34. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements of MTQ Corporation Limited and its subsidiary companies for the financial year ended 31 March 2005 were authorised for issue in accordance with a resolution of the Directors on 23 June 2005.

ADDITIONAL DISCLOSURE REQUIREMENTS

For the financial year ended 31 March 2005

MATERIAL CONTRACTS

(SGX-ST Listing Rule 1207(8))

Except as disclosed in the financial statements, there are no material contracts of the Company and of the Group involving the interest of the CEO, any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PARTY TRANSACTIONS

(SGX-ST Listing Rule 907)

The Group established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that the transactions are carried on an arms' length basis.

Excluding transactions less than \$100,000 or transactions conducted under shareholders' mandate pursuant to Rule 920, there are no interested person transactions during the financial year under review.

STATISTICS OF SHAREHOLDINGS

As at 20 June 2005

Authorised share capital	:	120,000,000 ordinary shares of \$0.25 each
Issued and fully paid-up capital	:	95,445,000 ordinary shares of \$0.25 each
Voting rights	:	one vote per share

Size of shareholdings	No. of shareholders	%	No. of shareholders	%
1 - 999	9	0.80	3,932	0.00
1,000 - 10,000	843	74.40	4,108,924	4.31
10,001 - 1,000,000	268	23.65	14,166,492	14.84
1,000,001 & ABOVE	13	1.15	77,165,652	80.85
Total	1,133	100.00	95,445,000	100.00

Top twenty shareholders	No. of shares	%
HSBC (Singapore) Nominees Pte Ltd	20,232,000	21.20
Kurt R M Lindbald	17,887,652	18.74
UOB Kay Hian Pte Ltd	11,473,000	12.02
Tai Tak Securities Pte Ltd	7,900,000	8.28
Singapore Warehouse Company (Private) Limited	5,500,000	5.76
DBS Nominees Pte Ltd	2,684,000	2.81
United Overseas Bank Nominees Pte Ltd	2,491,000	2.61
Citibank Nominees Singapore Pte Ltd	2,396,000	2.51
Mayban Nominees (S) Pte Ltd	1,800,000	1.88
Francis James Reidy	1,375,000	1.44
OCBC Securities Pte Ltd	1,300,000	1.36
OCBC Nominees Singapore Pte Ltd	1,065,000	1.12
Tan Kah Boh Robert	1,062,000	1.11
HL Bank Nominees (S) Pte Ltd	1,000,000	1.05
Keppel Investment Ltd	850,000	0.89
Lock Hong Cheong	522,492	0.55
Wong Peng Onn	481,000	0.50
Lim Chye Huat @ Bobby Lim Chye Huat	473,000	0.50
Hong Leong Finance Nominees Pte Ltd	464,000	0.48
David Robertson Moody	456,000	0.48
Total	81,412,144	85.29

STATISTICS OF SHAREHOLDINGS

As at 20 June 2005

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Kuah Kok Kim	20,000	0.02	19,164,000	20.08
Kurt R M Lindblad	17,887,652	18.74	-	-
Tai Tak Securities Pte Ltd	7,900,000	8.28	-	-
Singapore Warehouse Company (Private) Limited	5,500,000	5.76	-	-
Hwa Hong Corporation Limited ¹	-	-	5,500,000	5.76
Ong Holdings (Private) Limited ²	-	-	5,500,000	5.76

¹Singapore Warehouse Company (Private) Limited is a wholly-owned subsidiary company of Hwa Hong Corporation Limited.

²By virtue that Ong Holdings (Private) Limited holds not less than 20% shares in Hwa Hong Corporation Limited.

As at 20 June 2005, 43.07% 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 SGX-ST.

NOTICE IS HEREBY GIVEN that the 36th Annual General Meeting of the Company will be held at Carlton Hotel, Empress Room, Level 2, Singapore 189558 on Friday, 29 July 2005 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 2005 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 2005.
(Resolution 2)
3. To re-elect the following Directors retiring pursuant to Article 91 of the Company's Articles of Association:
Mr Ian Wayne Spence **(Resolution 3)**
Mr Huang Yuan Chiang **(Resolution 4)**

Messrs Ian Wayne Spence and Huang Yuan Chiang, will upon re-election as Directors of the Company, remain as members of the Audit Committee and will be considered 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 S\$165,000 (2005: S\$165,000) for the year ending 31 March 2006, to be paid quarterly in arrears. [See Explanatory note (i)]
(Resolution 6)

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

7. **Authority to allot and issue shares up to 50 per centum (50%) of issued share 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 7)

NOTICE OF ANNUAL GENERAL MEETING

8. **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 8)

By Order of the Board

Fong Choon Seng
Susie Low
Joint Company Secretaries

Singapore
13 July 2005

Explanatory Notes:

- (i) The Ordinary Resolution 6 proposed under item 6, if passed, will authorise the Directors of the Company to pay Directors' fees for the year ending 31 March 2006 to Directors quarterly in arrears.
- (ii) The Ordinary Resolution 7 proposed in item 7 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 share 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 share capital of the Company.

The percentage of issued share capital is based on the Company's issued share 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 8 proposed in item 8 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 or proxies 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

Co. Reg. No. 196900057Z

(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 _____

or, failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf and if necessary to demand a poll at the 36th Annual General Meeting (the "Meeting") of the Company to be held at Carlton Hotel, Empress Room, Level 2, Singapore 189558 on Friday, 29 July 2005 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 2005		
2	Declaration of a final dividend		
3	Re-election of Mr Ian Wayne Spence as a Director		
4	Re-election of Mr Huang Yuan Chiang as a Director		
5	Re-appointment of Ernst & Young as Auditors		
6	Approval of Directors' fees for the year ending 31 March 2006		
7	Authority to allot and issue new shares		
8	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 _____ 2005

Total Number of Shares In:	No. of Shares
(a) CDP Register	
(b) Register of Members	

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

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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.

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**Affix
Postage
Stamp**

The Company Secretary
MTQ Corporation Limited
182 Pandan Loop
Singapore 128373

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We hope you have enjoyed reading our Annual Report 2004/2005. We will strive to continuously improve our future annual reports in terms of disclosure and presentation. 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 operations review and other information provide a good insight into MTQ's core businesses.					
4	The Corporate Governance Report (CG) 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 for our next annual report?
	Content:
	Presentation:
	Overall:
12	(Please circle) I am a Shareholder/ Financial Analyst/ Accountant/ Journalist/ Staff/ Customer/ Others:

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**Affix
Postage
Stamp**

The Company Secretary
MTQ Corporation Limited
182 Pandan Loop
Singapore 128373

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Kuah Kok Kim Chairman & CEO
Philip Eng Heng Nee
Huang Yuan Chiang
Ong Choo Eng
Ian Wayne Spence
Samuel Bernard Sassoon
(Retired on 02.07.2004)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Fong Choon Seng
Susie Low Geok Eng
(Appointed On: 29.06.2005)
Shirley Lim Keng San
(Resigned On: 29.06.2005)

REGISTERED OFFICE

182 Pandan Loop
Singapore 128373
Telephone: (65) 6777 7651
Facsimile: (65) 6777 6433
Website: www.mtq.com.sg

AUDITOR

Ernst & Young
Certified Public Accountants
10 Collyer Quay #21-01
Ocean Building
Singapore 049315

Partner-in-charge:
Ee Hock Kim, Gerard
(Appointed on: 05.07.2002)

REGISTRAR

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