MTQ Corporation Limited
Co. Reg. No. 196900057Z

ANNUAL REPORT **2005/2006**

Forward Focus

Unwavering commitment to delivering value

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.

CORE VALUES

Sincere
Transparent
Alert
Responsible

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NOTE TO SHAREHOLDERS

The Group recorded a turnover of S$54.6million for the financial year under review, a decline of 3% compared to the previous financial year. This was mainly due to reduced contribution from the Subsea Robtics division following the divestment of its ROV fleet.

A profit after tax of S$4.2million was achieved for the same period after taking into account the following factors:

a) Stronger earnings from our Oilfield Engineering division;
b) Contributions from our investment in RCR Tomlinson Ltd, a company listed in the Australian Stock Exchange;
c) The non-recurrence of a substantial impairment provision which we had to make in the previous financial year in respect of the ROV fleet of the Subsea Robotics division;
d) Significant unrealized exchange losses arising from the depreciation of the Australian dollar against the Singapore dollar; and
e) A larger operating losses incurred by our Engine Systems division.

Subsea Robotics Division

We succeeded in achieving a complete divestment of its operations and business assets during the year. The assets were sold at prices marginally above their written down values. Steps will be taken to liquidate the various entities which are now inoperative.

I am glad that our misstep in this investment has now ended.

Oilfield Engineering Division

The division secured further improvements in its performance with significant increment in both turnover and profit.

Measures to expand our production capacity have been significantly completed to-date. Most of the new machinery on order has arrived, with the remaining due to reach us not later than the end of 2006.

We expect the division to sustain its good performance into the new financial year. Nevertheless, the benefit of the expansion exercise will be partially neutralised by the anticipated corresponding hike in operating costs, e.g. utilities, wages etc. We will take steps to mitigate these cost increments through further gains in productivity.

Engine Systems Division

The system integration process intensified, peaked and was completed during the financial year under review. The common IT infrastructure put in place to enable our nationwide branch network to function online throughout Australia is now up and running. Apart from significant cost overruns, the project consumed significant management time and effort and caused severe disruption to operations. The results of the division were further dampened by the additional costs incurred to deal with a long outstanding dispute over a job done in the previous year.

With the integration process completed and a strengthened management team in place, as well as improved market conditions, we expect the division to return to profitability in the current financial year.

We intend to step up efforts in growing the Indonesian operations currently based in Surabaya.

RCR Tomlinson Ltd ("RCR")

Our interest in RCR has been further diluted to below 20% as a result of a share placement exercise. This, together with the fact that we are no longer represented on the RCR Board, means that RCR has ceased to be an associate of our Company.

In line with prevailing accounting standards, we will no longer equity account for its result but will periodically adjust the carrying amount of the investment against prevailing market prices. As any such gains or losses are yet to be realised, any adjustments will be dealt through our reserves rather than the profit or loss account.

Looking Ahead

Apart from seeking to expand the existing Oilfield Engineering and Engine Systems operations, the year ahead will also see us actively sourcing for new business opportunities in areas that complement our core operations.

Investor Relations

With effect from the new financial year, we will be announcing our results every half-yearly instead of quarterly. This decision was taken after weighing up the associated costs and benefits. Despite this change, shareholders can be assured that we will continue to provide timely disclosure and updates on any material development affecting the Group.

Human Resource

Our continuous efforts to invest and upgrade our human resources have reached a new milestone with the award of the prestigious People Developer Standard certification granted by SPRING Singapore. We intend to continue making improvements in this area.

Dividends

For FY2006, the Group declared a gross interim dividend of 1.0 cent per share which was paid on 29 November 2005. In line with the Group's aim of maintaining a consistent dividend policy, the Board is recommending a gross final dividend of 1.5 cents per share, subject to shareholders' approval being obtained at the forthcoming Annual General Meeting.

Acknowledgement

It is with great regret for me to announce that Mr. Philip Eng has expressed his intention to retire from the Board at the forthcoming Annual General Meeting due to his increasing commitments in other areas. Mr. Eng has, over the years, played an important role in the supervision and oversight of the Group. His guidance and advice will certainly be missed. On behalf of the Company, I would like to extend our appreciation and gratitude to Mr. Eng for his many years of service and to wish him every success in his other endeavours.

I would also like to thank our customers, business partners and shareholders for their support. Finally, I would like to express my heartfelt appreciation for the contribution and dedication of my fellow directors, management team and all employees of the Group.

Kuah Kok Kim
Chairman & CEO

FINANCIAL HIGHLIGHTS

	2006	2005
For the Year (in S$'000)		
Revenue	54,577	56,469
EBITDA	8,807	7,465
Profit/(loss) before taxation	3,966	(2,819)
Profit/(loss) after taxation	4,204	(3,383)
Profit/(loss) attributable to shareholders	4,112	(1,964)
At Year End (in S$'000)		
Net Current assets	6,909	3,250
Total assets	79,223	64,816
Total liabilities	27,612	31,043
Net debt [1]	8,923	13,489
Shareholders' funds	52,253	34,565
Net tangible assets [2]	45,710	27,397
Financial Ratios		
Net profit/(loss) margin (%)	7.27	(4.99)
Return on shareholders' funds (%) [3]	7.59	(8.16)
Interest cover (EBITDA/net interest expense [4])	8.38x	5.80x
Net debt gearing ratio (%) [5]	14.74	28.54
Per Share Data		
Basic earnings (in cents) [6]	4.31	(2.07)
Net tangible assets (in cents) [7]	47.89	28.70
Gross dividend (in cents)	2.50	2.50
Gross dividend yield (%) [8]	7.69	6.94
Price at year end (in cents)	32.50	36.00

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

The Group generated a revenue of S$54.6million in FY2006, representing a 3% decline from that achieved in FY2005. The decrease was attributable mainly to the absence of revenue from the Subsea Robotics division following its ROV fleet divestment in September 2005 as well as weaker activities in the Engine Systems division. Stronger revenue from the Oilfield Engineering division, however, moderated the extent of this decline substantially.

Profit

For the financial year ended 31 March 2006, the Group turnaround to achieve a net profit of S$4.2million, after accounting for its share of RCR's results and a S$2.1million gain on the dilution of its shareholding in RCR following RCR's placement of new shares at a significant premium above its net asset value in December 2005.

The improved performance was also driven by stronger earnings from the Oilfield Engineering division as it enjoyed increased repair work volumes as well as an expanded customer base for all equipment rental operations.

Reduced operating losses in the Subsea Robotics division, as well as gains derived on disposition of its ROV fleet also increased the Group's profitability.

QUARTERLY RESULTS

		1Q S$'000	2Q S$'000	3Q S$'000	4Q S$'000	Total S$000
Revenue	2006	13,694	14,054	12,260	14,569	54,577
	2005	14,831	14,347	13,831	13,460	56,469
Profit/(loss) before taxation	2006	694	263	3,188	(179)	3,966
	2005	264	89	919	(4,091)	(2,819)
Profit/(loss) after taxation	2006	244	426	3,321	213	4,204
	2005	108	2	309	(3,802)	(3,383)
Profit/(loss) attributable to shareholders	2006	330	369	3,382	31	4,112
	2005	135	204	672	(2,975)	(1,964)
Earnings per share (in cents)	2006	0.35	0.39	3.54	0.03	4.31
	2005	0.14	0.21	0.70	(3.12)	(2.07)

The Group also benefited from the absence of a S$5.1million provision for impairment in respect of the ROV assets previously made in FY2005, as well as goodwill amortisation of S$0.4million which is no longer required under FRS103 – Business Combinations.

Meanwhile, the Engine Systems division incurred deeper losses during the year as its performance continue to be impacted by the integration program. Significant unfavourable exchange movements also reduced the overall improvement in the Group's FY2006 results.

Earnings Per Share

In line with the improved bottom line, the Group reversed a loss per share of 2.07 cents registered in FY2005 to achieve earnings per share of 4.31 cents for FY2006.

Balance Sheet

Total assets surged 22% from S$64.8million as at 31 March 2005 to S$79.2million as at 31 March 2006 as a result of the following:

- Purchase of additional shares in RCR;
- Fair value adjustments in relation to the Group's investment in RCR; and
- Increase in inventories.

The increase in total assets was, however, offset by a reduction in property, plant and equipment following the sale of the ROV assets of the Subsea Robotics division as well as a property in Ipoh, Malaysia.

Total liabilities fell 11% from S$31.0million as at 31 March 2005 to S$27.6million as at 31 March 2006 mainly as a result of repayment of bank loans, net of new borrowings undertaken to fund the acquisition of plant and equipment by the Oilfield Engineering division.

Shareholders' funds as at 31 March 2006 was S$52.3million, which represented a 51% increase from the S$34.6million level as at 31 March 2005.

Dividends

The Board of Directors are recommending a final dividend of 1.5 cents less tax at 20% to be paid for FY2006. Together with the interim dividend of 1.0 cents less tax at 20%, which was paid on 29 November 2005, the total dividend for FY2006 is 2.5 cents per share, similar to that declared and paid for FY2005. The cash outflow for the FY2006 dividend after tax deduction is S$1.9million, similar to that of FY2005.

FIVE YEARS FINANCIAL PROFILE

	2006	2005	2004	2003	Restated 2002
For the Year (in S$'000)					
Revenue	54,577	56,469	52,738	48,030	42,412
EBITDA	8,807	7,465	6,430	9,399	4,121
Profit/(loss) before tax	3,966	(2,819)	2,203	5,910	1,693
Profit/(loss) after tax	4,204	(3,383)	1,327	5,150	1,259
Profit/(loss) attributable to shareholders	4,112	(1,964)	1,705	5,385	1,481
At Year End (in S$'000)					
Net current assets	6,909	3,250	4,722	12,923	10,202
Total assets	79,223	64,816	66,405	60,675	48,161
Total liabilities	27,612	31,043	33,437	28,415	19,333
Net debt [1]	8,923	13,489	14,024	5,641	(565)
Shareholders' funds	52,253	34,565	32,277	31,290	27,934
Net tangible assets [2]	45,710	27,397	24,819	29,127	27,934
Financial Ratios					
Net profit/(loss) margin (%)	7.27	(4.99)	4.18	12.30	3.99
Return on shareholders' funds (%) [3]	7.59	(8.16)	6.83	18.89	6.06
Interest cover (EBITDA/ net interest expense [4])	8.38x	5.80x	5.90x	16.78x	13.97x
Net debt gearing ratio (%) [5]	14.74	28.54	29.84	14.88	N.A.
Per Share Data					
Basic earnings (in cents) [6]	4.31	(2.07)	2.15	6.80	1.87
Net tangible assets (in cents) [7]	47.89	28.70	31.20	36.78	35.27
Gross dividend (in cents)	2.50	2.50	2.50	2.50	2.50
Gross dividend yield (%) [8]	7.69	6.94	5.81	6.41	8.33
Price at year-end (in cents)	32.50	36.00	43.00	39.00	30.00

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Summarised Cash Flow

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

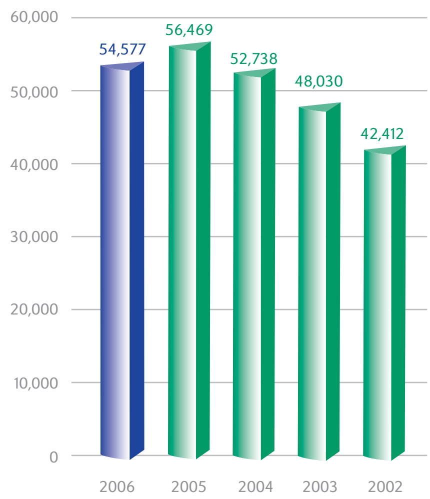
	2006 S$'000	2005 S$'000
Operating	2,750	1,565
Investing	3,178	(5,241)
Financing	(8,541)	3,422
Net change	(2,613)	(250)
At beginning	5,755	6,005
Effects of exchange	(192)	4
Cash & Cash Equivalents	2,950	5,755

Cash Flows

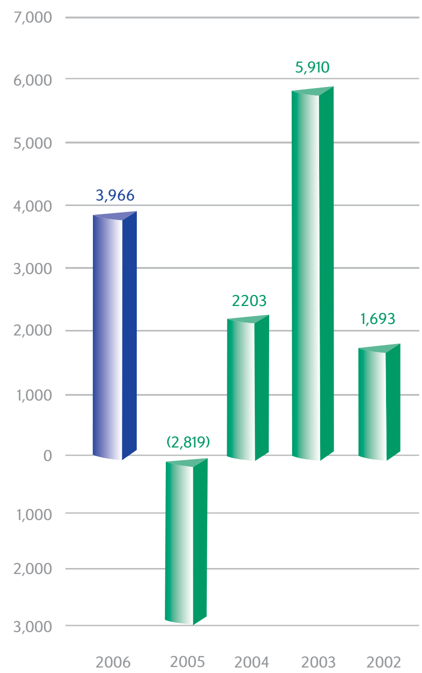
As of 31 March 2006, the Group's cash and cash equivalents stood at S$3.0million, 49% down from the balance as of 31 March 2005.

Cash flows generated from operating activities during FY2006 was S$2.8million, 76% higher than that of FY2005. This was mainly attributed to more favourable working capital movements and lesser tax paid in FY2006, offset by lower cash flows generated from the Engine Systems division in view of its weaker performance.

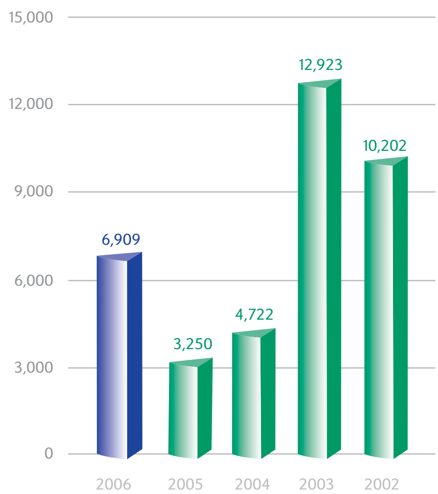
Revenue (S$'000)



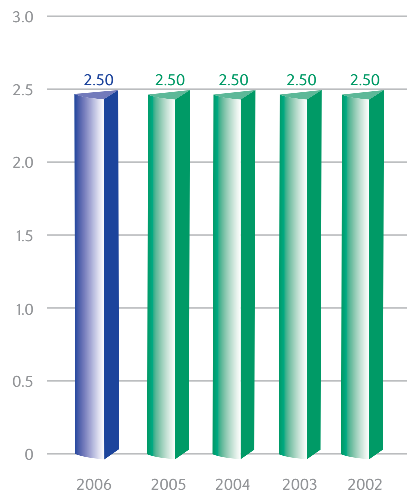
Profit/(loss) before tax (S$'000)



Net Current Assets (S$'000)



Gross Dividends (cents)



Investing activities generated cash inflow of S$3.2million for FY2006 as opposed to a net cash outflow of S$5.2million in FY2005. In FY2006, the Group received proceeds from the disposal of the ROV assets of its Subsea Robotics division as well as proceeds from the sale of other property, plant and equipment. This was offset by cash expended in the acquisition of additional shares in RCR.

Financing activities in FY2006 utilised net cash of S$8.5million as compared to a net cash of S$3.4million generated in FY2005. The net cash outflows arose mainly from the repayment of borrowings, and loans from a minority shareholder of a subsidiary company, as well as the payment of dividends.

TREASURY MANAGEMENT & CAPITAL STRUCTURE

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

The Group is exposed to foreign currency exchange fluctuations mainly in US dollars, Japanese yen, Australian dollars, Indonesian rupiah and Sterling pounds. Where appropriate, the Group may enter into forward foreign exchange contracts to hedge against 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, as far as possible, kept to an acceptable level.

The Group maintains a healthy capital structure with appropriate leverage sufficient, but not excessive for its business needs. Its investments and operations are funded through a combination of shareholders' funds, advance payments from customers, and bank borrowings. As at 31 March 2006, the Group's total bank borrowings stood at S$12.6million, which represented 24% of shareholders' funds (31 March 2005: 56%).

The net debt gearing of the Group improved from 28.54% in FY2005 to 14.74% in FY2006 as net debt fell from S$13.5million as at 31 March 2005 to S$8.9million. Interest cover was 8.38 times in FY2006.

RISK MANAGEMENT

MTQ Group embraces a pro-active risk management approach.

While periodic exercises were conducted to identify, evaluate and manage significant risks identified, the Group is now in the process of developing a comprehensive risk management framework which will provide a more structured system and methodology for such processes.

At present, the Group's seeks growth in its business chiefly through organic growth of its existing operations, development of new competencies in complementary business or geographical expansion, 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 and reviewed by senior management before seeking final Board approval. The review process includes an independent risk assessment, possible mitigation as well as the risk-return profile of the proposal.

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 is primarily responsible for managing these specific risk exposures, the Audit Committee provides an oversight on all matters relating to management of risks across the Group, including an independent evaluation on the adequacy of the Group's risk management control and governance processes.

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

The Group's financial risk management objectives and policies are further discussed in Note 33 to the financial statements.

GROUP VALUE-ADDED STATEMENT

	2006 S$'000	2005 S$'000	2004 S$'000	2003 S$'000	2002 S$'000
Value Added					
Revenue	54,577	56,469	52,738	48,030	42,412
Bought-in materials and services	(33,309)	(35,069)	(33,554)	(25,705)	(23,640)
Gross Value Added	21,268	21,400	19,184	22,325	18,772
Other income	2,835	503	450	772	497
Investment Income	–	–	–	46	–
(Loss) / gain on exchange, net	(1,400)	223	1,600	691	55
Share of results of associated company	3,150	3,514	1,473	–	–
Total Value Added	25,853	25,640	22,707	23,834	19,324
Distribution					
To Employees					
Wages, provident fund contributions & other benefits	16,878	15,964	15,425	14,585	16,072
	16,878	15,964	15,425	14,585	16,072
To providers of capital					
Interest on bank borrowings	1,138	1,369	1,149	633	357
Dividends to shareholders	1,909	1,909	1,549	2,162	747
	3,047	3,278	2,698	2,795	1,104
To / (from) government					
Income taxes and levies*	489	1,111	1,035	814	491
	489	1,111	1,035	814	491
Retained in the business					
Depreciation of property, plant and equipment	3,790	4,866	3,824	2,860	2,134
Provision for impairment of property, plant and equipment	–	5,164	–	–	170
Amortization of goodwill on business acquisition	–	365	243	69	–
Staff costs capitalised	(440)	(241)	(514)	(986)	(1,400)
Retained earnings*	3,603	(4,096)	(1,444)	2,486	679
Minority interests	92	(1,419)	(378)	(235)	(222)
	7,045	4,639	1,731	4,194	1,361
Non-production costs and income					
Bad debts written off	3	–	79	15	69
Goodwill written off	–	5	81	6	13
Loss on dilution of shareholding in associated company	–	54	–	–	–
(Gain) / loss on sale of property, plant and equipment	(103)	40	6	(16)	5
Gain on disposition of assets	(560)	–	–	–	–
Provision for doubtful debts	454	326	52	19	155
(Loss) / gain on exchange, net	(1,400)	223	1,600	691	55
Investment Income	–	–	–	46	–
Provision for diminution in value of investment	–	–	–	685	–
	(1,606)	648	1,818	1,446	296
Total Distribution	25,853	25,640	22,707	23,834	19,324
Value added per employee (S$'000)	80	85	81	86	58
Value added per dollar of employment costs (S$)	1.26	1.34	1.24	1.53	1.17
Value added per dollar of investment in fixed assets (S$)	0.69	0.45	0.37	0.47	0.41
Value added per dollar sales (S$)	0.39	0.38	0.36	0.46	0.44

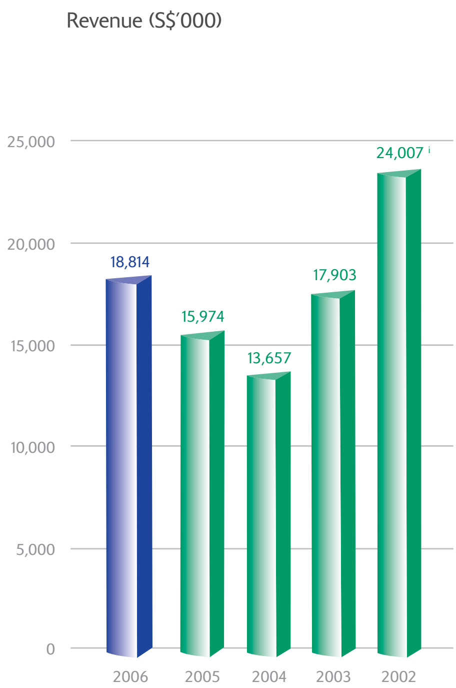
* Including those attributable to associated company

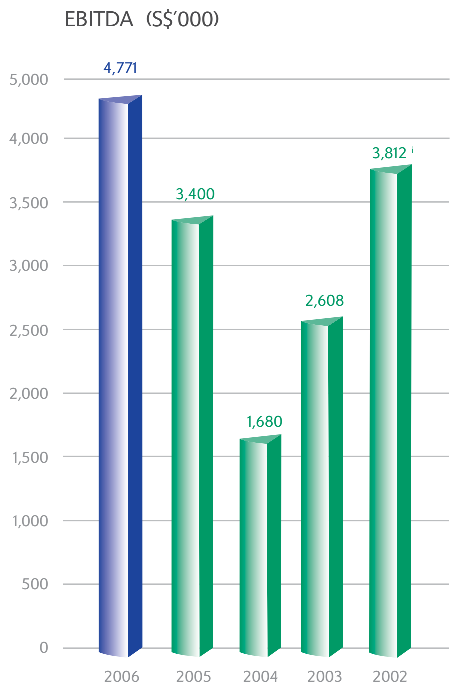
OILFIELD ENGINEERING

FY2006 saw the Oilfield Engineering division achieving significant progress in executing its strategy of a broad-based expansion. The high oil prices have driven up the level of oil and gas exploration activities significantly, and accordingly, the demand for new rig builds as well as refurbishment of existing equipment. A direct beneficiary of this trend, the division has witnessed a steady increase in repair works volumes during the year under review.

The buoyant market has, however, also invited an influx of new players seeking to secure a footing in the booming industry. Consequently, the ability to provide consistent deliveries, wider spectrum of services as well as improved turnaround time becomes pivotal in establishing quality differentiation from its competitors and in maintaining its market leadership position as the preferred oilfield engineering service provider.

To this end, significant capital investments have been made to upgrade the division's workshop capabilities. Upon complete delivery and commissioning of the new machines and tooling systems with enhanced functionalities in the current financial year, the division will be able to undertake contracts with varying scales and complexities which are beyond the capabilities of its smaller competitors. The new equipment will also facilitate the expansion of its component manufacturing operation. With added machining capability, the division will be able to increase the volume of customised component manufacturing, providing closer support to existing customers and OEMs seeking to outsource their production of standardised oilfield components.





[i] Includes contributions from the Marine Engineering division.

The penetration into the oilfield equipment rental business represents yet another initiative to strengthen the division's earnings base through diversification of its operations within the oil and gas industry where its core competencies lie. This segment has delivered encouraging performance and has witnessed a creditable increase of its customer base in the year under review despite being a relatively new player in the market. This was achieved through expanding the range of rental equipment offered and taking on a more aggressive marketing approach.

Apart from its engineering infrastructure, the division also places strong emphasis in continuously upgrading the skill set of its workforce. This will remain a key focus area in the current year.

Going forward, the division is conscious of the growing challenge in managing mounting cost pressures. Various measures have been instituted to optimise workflow efficiencies and improve productivity. The division expects to sustain its performance in the new financial year.

ENGINE SYSTEMS

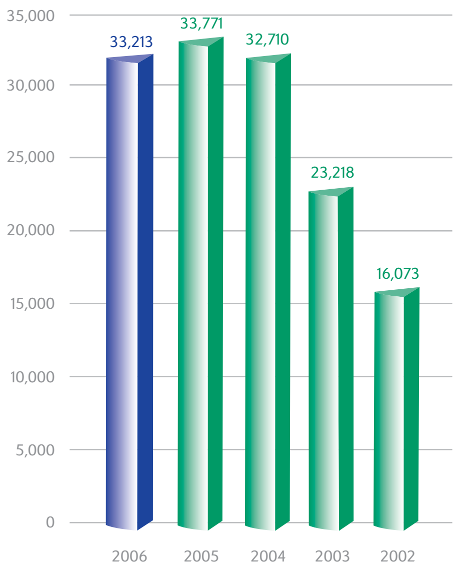
The Engine Systems division experienced a challenging year in FY2006. In particular, the division saw some significant changes in its Australian operations.

The IT integration project was eventually completed when the fuel injection business went live with the common IT platform as the turbocharger business in September 2005. This provided the division with the framework to pursue the full integration of its turbocharger and fuel injection businesses throughout the branch network. In particular, the division undertook a strategic review and restructuring of its branch network, taking into consideration sales coverage, market potential as well as individual branch performance.

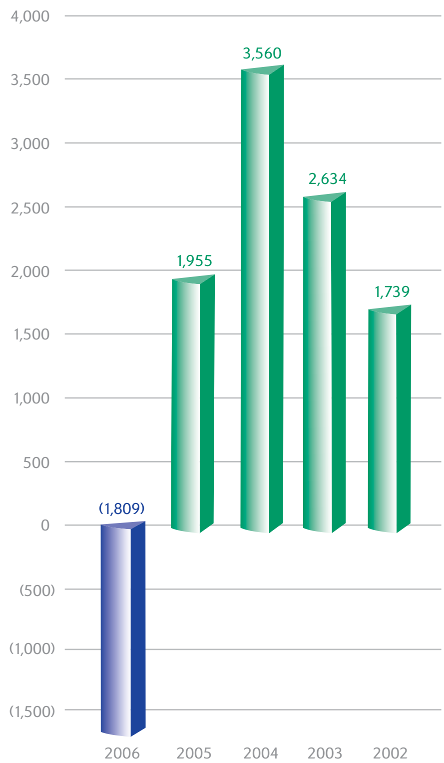
The benefits of the exercise have been numerous with the more notable items being improved customer service as a result of greater visibility of inventory, the efficiency of having staff housed under one-roof and the elimination of unnecessary duplication of overheads.

The division has continued to innovate and increase its product lines to fend off intense competition from the market. In particular, it saw the building of sales in the auto aftermarket performance products segment and the establishment of the "Sonic" brand, an MTQ-owned brand name. There is a growing trend in this market segment and the division has successfully secured increased customer base in this new segment. This assisted in offsetting some of the stagnating impact faced by the more matured turbocharger markets.

Revenue (S$'000)



EBITDA (S$'000)



The expansion of fuel injection parts distribution on a national basis has been an important objective in the strategic plan for the new financial year. With Perth branch commencing fuel injection parts sales in March 2006 and Melbourne branch planned for July 2006, the division will established itself as the only true national fuel injection parts distributor in Australia.

The initial performance has been positive. The roll out of action plans designed to drive the effective implementation of key strategies, together with the more cohesive nature of the business and a broader product range providing customers with a 'one-stop shop', has definitely strengthened the sales outlook for the Australia operations.

In an effort to replicate a similar operational framework in Indonesia, the Surabaya operations are now gearing up for expansion into the fuel injection business.

SUBSEA ROBOTICS

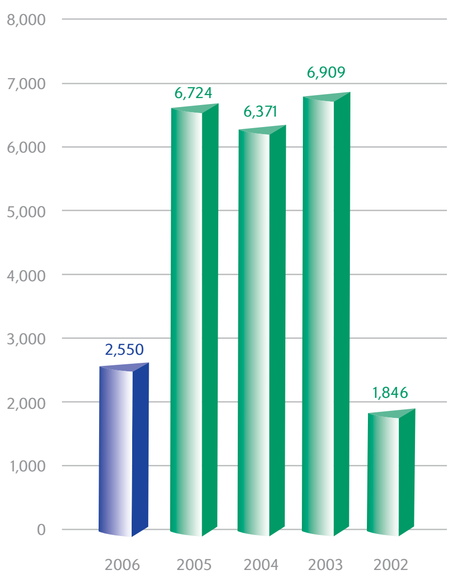
FY2006 marks the closure of the chapter on Subsea Robotics division.

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 division completed the divestment of its entire remotely operated vehicles ("ROVs") fleet to Oceaneering International AG ("Oceaneering") in September 2005.

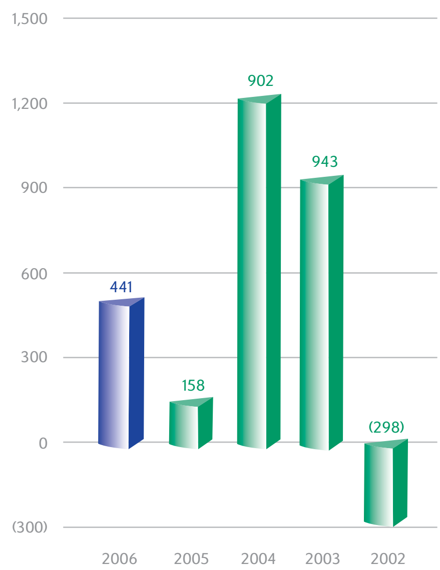
Being an ROV operator with a small fleet size of 4 observation class and 3 work class ROVs, the division had been unable to provide a comprehensive range of subsea engineering services required by the oil drilling companies or contractors. As such, the division had been plagued by low fleet utilisation since inception. Having regard to the prevailing market preference for integrated service providers as well as the utilisation prospects of its ROV fleet, the division took up a S$5.1 million provision for impairment in respect of its ROV assets in FY2005.

Despite a buoyant oil and gas market (its key servicing market), the division continued with its lacklustre performance. The divestment decision arose after numerous efforts to overcome its operational limitations, including the relocation of its fleet from the North Sea to Asia as well as seeking strategic alliances with other service provider, failed to turnaround the division. At the same time, recurring operating costs and the high depreciation charges also weighed in heavily against its profitability.

Revenue (S$'000)



EBITDA (S$'000)



After much deliberation, the division entered into a conditional agreement for the sale of its entire fleet of ROVs and related assets to Oceaneering for an aggregate consideration of US$5.06million (approximate S$8.49million) in July 2005, above the written down values of its ROV assets.

The divestment was completed in September 2005 and the division derived a marginal gain of S$0.6million from the disposition of its fleet. More importantly, the divestment eliminated further negative impact on the Group's overall performance.

Plans to capitalise on the division's existing engineering expertise and shift its main focus to the sale of custom built subsea robotic systems and related peripherals were also shelved. While the engineering capabilities were not in question, the feasibility of developing a substantial operation by shifting to focus on sales of subsea robotics systems remained doubtful and is likely to entail further significant working capital investments. Management believes that the resources may be more meaningfully employed in the Group's other operations which are demonstrating strong growth prospects.

The division will proceed to wind down the relevant entities after satisfying all the statutory obligations.

BOARD OF DIRECTORS

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 was last re-appointed as Director at MTQ's Annual General Meeting on 20 June 2003. He serves on the board of all subsidiaries of MTQ.

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 was last re-appointed as Director at MTQ's Annual General Meeting on 2 July 2004. 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. He is the Non-Executive Chairman of Accord Customer Care Solutions and City Gas Pte Ltd, as well as director of Asia General Holdings Ltd, the Chinese Development Assistance Council, Singapore Computer Systems Limited, and Commissioner of PT Bank Danamon Indonesia. He is also Singapore's High Commissioner to Nigeria and 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 and was last re-appointed at MTQ's Annual General Meeting on 29 July 2005. 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 of 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 and was last re-appointed as Director at MTQ's Annual General Meeting on 20 June 2003. 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 Holdings (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 and was last re-appointed at MTQ's Annual General Meeting on 29 July 2005. He is Chairman of the Audit Committee, and a member of the Remuneration Committee. He is also a Director of MTQ Subsea Technology Pte Ltd.

Mr. Spence, a Singapore permanent resident, also sits on the board of Eu Yan Sang 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

Corporate Office

KUAH KOK KIM | Chairman & CEO

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 17 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).

Tiffany Yap
Group Human Resource and Admin Manager

Shirley Ong
MIS 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.

Lai Chee Keong
Senior Engineering Manager

Teo Choon Kian
Senior Sales Manager

Engine Systems Division

LES HEALEY | Managing Director
Mr. Healey was appointed to MTQ Engine Systems 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 Bachelors degree from the University of Queensland in Arts and Economics.

Garry J Swainson
Director (Indonesia)

HUMAN CAPITAL

Human capital is MTQ's most valuable asset. The Group is committed to building up a strong team through focused recruitment efforts and a series of staff development programs, all with the aim of providing our customers with quality service, our employees with job satisfaction and our shareholders return on their investments of a level which meets and surpasses their expectations.

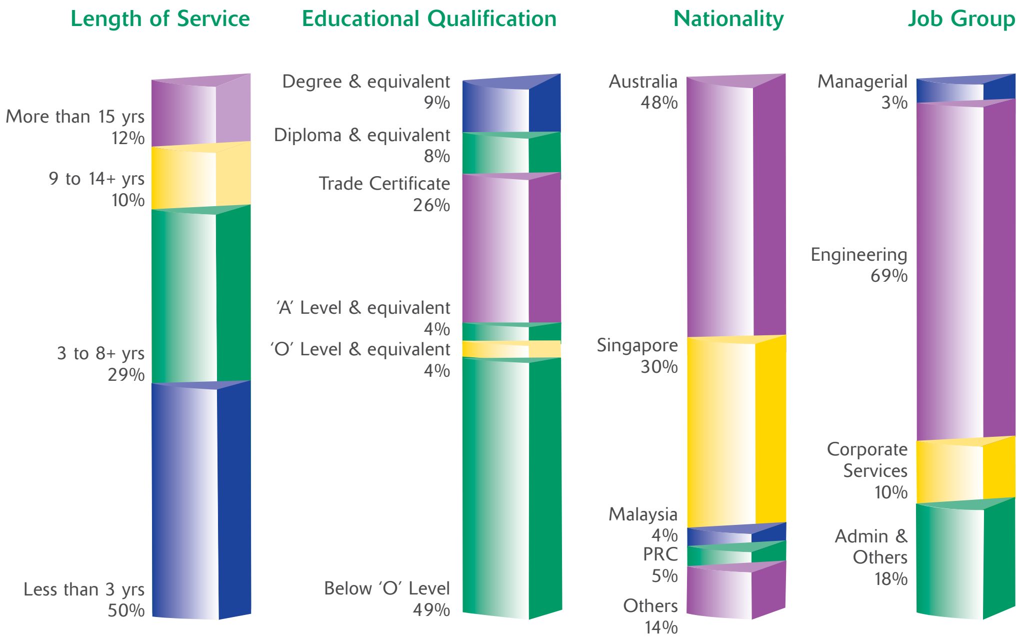
Every employee at MTQ has a personalised learning roadmap based on the corporate and individual learning needs. Improvements were made to the on-the-job training (OJT) system and skills upgrading programs so as to enhance the technical competencies of the employees in preparation of the challenges ahead.

Under the performance-based reward system, the corporate objectives and KPIs are communicated openly to the staff. This system has increased individual productivity as individual employee takes on greater ownership and participation in achieving the Group's strategic goals.

Apart from the work-related learning programs, MTQ also actively promotes employee well-being by organising various Workplace Health and Safety activities for our workforce. Our management is committed to enhance the safety standards of MTQ and adopts a rigorous approach in the safety procedure enforcements.

By adopting a holistic approach on its Human Capital system and practices, MTQ's people development efforts have paid off. We were awarded the People Developer Standard certification in October 2005 for our structured and effective learning and development practices.

Productivity has increased, and despite the economic upturn, staff turnover rate at MTQ remains low. With such benefits and positive responses from staff on MTQ's training and development efforts, we will continue to strive towards making continuous improvements on our existing human capital systems and practices so as to meet the ever-changing needs of the business environment.



CORPORATE INFORMATION

BOARD OF DIRECTORS

KUAH KOK KIM
Chairman & CEO

PHILIP ENG HENG NEE
Director

HUANG YUAN CHIANG
Director

ONG CHOO ENG
Director

IAN WAYNE SPENCE
Director

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

LOW GEOK ENG SUSIE
(Appointed 29.06.2005)

LIM KENG SAN SHIRLEY
(Resigned 29.06.2005)

REGISTERED OFFICE

182 Pandan Loop
Singapore 128373
Telephone : 6777 7651
Facsimile : 6777 6433
Website : http://www.mtq.com.sg

AUDITOR

Ernst & Young
Certified Public Accountants
Singapore

10 Collyer Quay #21-01
Ocean Building
Singapore 049315
Partner-in-charge :
Soh Chung Hian, Daniel
(Since financial year ended 31 March 2005)

REGISTRAR

B.A.C.S Private Limited

63 Cantonment Road
Singapore 089758
Telephone : 6323 6200
Facsimile : 6323 6990
E-mail : bacs@pacific.net.sg

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

CORPORATE STRUCTURE

MTQ Corporation Limited

- MTQ Equipment Rental Pte. Ltd. 100.0%
- MTQ Engineering Pte Ltd 100.0%
- PT MTQ Engine Systems Indonesia 99.0%
  - 1.0% (held by MTQ Engineering Pte Ltd)
- MTQ Engine Systems (Aust) Pty Ltd 100.0%
  - Dynamic Turbocharger Services (Australia) Pty Ltd 100.0%
- MTQ Holdings Pty Ltd 100.0%
- MTQ Investments Pte. Ltd. 100.0%
- MTQ Subsea Technology Pte Ltd 77.5%
  - MTQ Subsea Limited 100.0%
- MTQ Engineering Sdn Bhd 100.0%
- Metalock Engineering Pte Ltd 100.0%
- Metalock Castings Sdn Bhd 99.9%

DIRECTORY OF PRINCIPAL SUBSIDIARIES

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*

William Fong, *Group Financial Controller*

Email : kkkuah@mtq.com.sg
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 Engine Systems (Aust) Pty Ltd

32 Raynham Street, Salisbury,
Qld 4107, Australia

Tel : (61) 7 3274 3755
Fax : (61) 7 3274 4514

Website : www.mtqes.com.au

Contact : Les Healey, *Managing Director*

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

FINANCIAL AND CORPORATE CALENDAR

MAY

26 May 05
Release of profit warning in respect of FY2005

30 May 05
Announcement of full year FY2005 results

JUN

25 Jun 05
Showcase in SGX investor seminar
- Taking stock of dividends

JUL

13 Jul 05
Release of Annual Report 2004/2005 to shareholders

28 Jul 05
Signing of conditional agreement for the divestment of Subsea Robotics ROV fleet for US$5.06million

29 Jul 05
36th Annual General Meeting and Extraordinary General Meeting

AUG

04 Aug 05
Completion of Sale and Purchase Agreement in relation to the sale of property by Metalock Castings Sdn Bhd

13 Aug 05
Announcement of first quarter FY2006 results

18 Aug 05
Voluntary liquidation of OmixAsia.com Pte Ltd

19 Aug 05
Payment of 1.5 cents final dividend less tax in respect of FY2005

SEP

09 Sep 05
Extraordinary General Meeting
- Approval of sales of Subsea Robotics ROV fleet

13 Sep 05
Completion of Sale and Purchase Agreement in relation to the sale of Subsea Robotics ROV fleet

OCT

19 Oct 05
Acquisition of business of Easteel Industries and Newman Engineering by RCR

24 Oct 05
Acquisition of business of Advanced Cutting Service by RCR

27 Oct 05
Announcement of half year FY2006 results

NOV

29 Nov 05
Payment of 1.0 cents interim dividend less tax in respect of FY2006

DEC

01 Dec 05
Completion of a share placement exercise by RCR. Dilution of MTQ's interest in RCR from 22% to 19%

FEB

10 Feb 06
Announcement of third quarter FY2006 results

MAY

29 May 06
Announcement of full year FY2006 results

JUL

04 July 06
Release of Annual Report 2005/2006 to shareholders

FINANCIAL REPORT

CORPORATE GOVERNANCE REPORT

MTQ Group is committed to uphold the spirit and principles of the Code of Corporate Governance (the "Code") to enhance its corporate performance and accountability. The Group subscribe fully to the principles and recommendations in the Code where they are applicable, relevant and practical to the Group. In this regard, the Group has also considered the recommendations made in the Code of Corporate Governance 2005 and is in the process of exploring the feasibility of implementing these proposals where appropriate.

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

Board Matters

Principle 1 : Effective Board to lead and control the company.

The Board of MTQ Corporation Limited assumes stewardship and control of the Group's resources and undertakes overall responsibility for the 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 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 further described in other sections of this Report. The Chairman of each Committee will report to the Board the outcome of the Committee meetings.

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

a) those involving a conflict of interest for a substantial shareholder or a Director;
b) material acquisitions and disposals of assets;
c) corporate or financial restructuring and share issuances;
d) dividends and other returns to shareholders;
e) matters specified under our interested person transaction policy;
f) major financial decisions such as investment and divestments proposals, the annual budget, major funding proposals and expenditures exceeding a prescribed amount.

The Board conducts meetings prior to the announcement of financial results. Ad-hoc meetings are also 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 held during the year, are disclosed in this Report.

The Company believes that the contribution of each Director can 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.

To assist newly appointed Directors in discharging their duties, the Chairman will brief the Directors on the business operations of the Group and its strategic directions. The incoming Directors are also given access to the past years' annual reports and minutes of the Board meetings.

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

Board Membership, Composition and Balance

Principle 2 : Strong and independent element on the Board.
Principal 4 : Formal and transparent process for the appointment of new Directors.

The current Board comprises 5 directors, of which 4 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.

The Company does not have a Nominating Committee and the appointment of new directors is via nominations received, assessed and approved by the Board. The Board will appraise the nominees to ensure that such candidates are of sufficient calibre and experience and who are able to contribute to the proper guidance of the Group and its businesses.

Article 91 of the Articles requires 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. In addition, all new Directors must submit themselves for re-election at the next Annual General Meeting of the Company immediately following their appointment.

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[1]	01.01.1997	20.06.2003
Philip Eng Heng Nee	09.09.1997	02.07.2004
Huang Yuan Chiang	08.08.2001	29.07.2005
Ong Choo Eng[1]	09.09.1997	20.06.2003
Ian Wayne Spence	15.01.2002	29.07.2005

1 Mr Kuah Kok Kim and Mr Ong Choo Eng are due for re-election in the forthcoming Annual General Meeting.

While the Company's Articles do not provide a cap to the maximum number of Directors, having regards to the current scale of the Group's business, the Directors are of the view that it is not practical or cost effective to have more than the requisite number of members in the Board.

Despite being a relatively small Board, it provides an effective blend of business and professional expertise in different fields. Further details on the Directors are provided in the "Board of Directors" section of the annual report.

The Board is of the opinion that it has sufficient independence and objectivity in ensuring that the appointment and re-election of Directors is formal and transparent.

Chairman and Chief Executive Officer

Principle 3 : Clear division of responsibilities to ensure appropriate balance of power and authority.

Mr Kuah Kok Kim is both the Chairman and CEO of the Company. The Board believes the current scale of the Group's business does not warrant a division between the two roles. The Chairman and CEO is responsible to the Board for the overall management and functioning of the Group. Among his other duties, the Chairman's role is to schedule and chair Board meetings, prepare the agenda with 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 business, the Chairman is assisted by the senior management staff.

The Company's Articles has made provisions for the Chairman and CEO to be subject to the one-third rotation rule as well. This is to separate his role as CEO from his position as a Board member, and to enable shareholders to exercise their full rights to select all Board members. The Board has also established various committees with the power and authority to perform key functions beyond the authority of, or without undue influence from, the Chairman and CEO.

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 the management. The Chairman will make the necessary arrangements for the briefings, informal discussions or explanations required by the Directors. Accordingly, the Board is satisfied that no individual or small group of individuals dominate the Board's decision-making process.

Board Performance and Remuneration Matters

Principle 5 : Formal assessment of the effectiveness of individual Directors and the Board as a whole.
Principle 7 : Formal and transparent procedure for fixing remuneration packages for Directors.
Principle 8 : Remuneration of Directors should not be excessive.
Principle 9 : Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration.

Remuneration Committee

The Remuneration Committee comprises:
Philip Eng Heng Nee (Chairman)
Huang Yuan Chiang
Ian Wayne Spence
Ong Choo Eng

The Remuneration Committee consists of 4 non-executive Directors, 3 of them are independent Directors and are 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 packages, the Remuneration Committee takes into account the performance of the Group, as well as individual Directors and key executives. In addition to linking rewards to the Group and individual performance, the remuneration packages are also designed to align their interests with those of shareholders.

To promote an ownership culture within the Group and to align the interests of the stewards and employees of the Group with the interests of shareholders, the Group has in place a share option scheme for Directors and employees, the MTQ Corporation Executives' Share Option Scheme 2003 (the "Scheme"). Directors who are controlling shareholders of the Company are not allowed to participate in the Scheme unless their participation and actual number of ordinary shares and terms of any option to be granted to each of them has been approved by the independent shareholders in general meetings in seperate resolutions. The Remuneration Committee is 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. 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 service contract are subject to review and specific approval of the Board.

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

The remunerations of Directors are set out below:

	Fee	Salary/Allowance	AWS/Bonus	Benefits
I. Above $500,000 Mr Kuah Kok Kim	–	62%	37%	1%
II. $250,000 and below				
Mr Philip Eng Heng Nee	100%			
Mr Ong Choo Eng	100%			
Mr Huang Yuan Chiang	100%			
Mr Ian Wayne Spence	100%			

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

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

As the Remuneration Committee comprises all of the Board members except for the executive Director, the remuneration matters were discussed at Board meetings in conjunction with the performance review. As such, there was no separate meeting convened by the Remuneration Committee during the financial year under review.

Access to Information and Accountability

Principle 6 : Board members to receive complete, adequate and timely information.
Principle 10 : The Board is accountable to shareholders while management is accountable to the Board.
Principle 14 : Regular, effective and fair communication with shareholders.

In order to ensure that the Board is able to fulfil its responsibilities, management provides monthly management accounts, complete with the relevant analysis of the performance, to the Board on a timely basis. 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 to the Board meetings. In addition, the Directors can, in furtherance of their duties, take independent professional advice, if necessary, at the Company's expense.

The Directors also 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 of the Company, 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.

The Board strives for timeliness and transparency in its disclosures to shareholders and the public. Apart from ensuring that shareholders receive the Annual Report within the mandatory period, the company has also adopted quarterly announcement of its financial statements voluntarily since the financial year ended 31 March 2003. After due consideration however, the company has decided to discontinue the practice of announcing its financial statements on a quarterly basis with effect from the new financial year. In arriving at the decision, the company took into consideration cost factors, the associated benefits and whether these could be achieve through timely announcement of material events, shareholders' profile as well as the trading liquidity of its shares. Despite the discontinuance from quarterly reporting, the company remains committed to providing timely disclosure to its shareholders and will ensure compliance with the reporting requirements under Listing Rules of SGX-ST. The Group will continue to disseminate any price-sensitive information via SGX-ST and such information will be simultaneously posted on our corporate website at www.mtq.com.sg and investor portal, www.shareinvestor.com

Audit Committee and Internal Controls

Principle 11 : Establishment of Audit Committee with written terms of reference.
Principle 12 : Ensuring sound system of internal control.
Principle 13 : Establishment of an independent internal audit function.

Audit Committee

The Audit Committee comprises 4 non-executive Director members, 3 of them 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 function 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 the members of the Audit Committee have the requisite accounting and financial management expertise or experience to carry out their duties.

The Audit Committee is empowered to investigate any matter within its written terms of reference, including matters relating to the Group's accounting, auditing, internal controls and/or financial practices brought to its attention. The Audit Committee has full discretion to invite any Director and/or executive officer to attend its meetings. The Audit Committee also has full access to records, resources and personnel, to enable it to discharge its functions properly.

In addition, the Audit Committee reviews the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors of the Group. In doing so, the Audit Committee has also taken into account the non-audit fees awarded to them and has confirmed that the non-audit services provided by the external auditors would not affect their independence.

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 pays full attention to any material weaknesses reported and the recommendations proposed by both the internal and external auditors to ensure that the Group maintains a sound system of internal controls.

The Group outsources its internal audit function to Robert Tan & Co., a corporate member of the Institute of Internal Auditors Singapore. In addition, the independent in-house internal audit division supplements the internal audit activities 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 auditor has not been compromised in relation to the non-audit services provided;
- 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.

Greater Shareholders Participation

Principle 15 : Greater shareholders participation at Annual General Meetings.

Shareholders are informed of shareholders' meetings through notices published in Business Times, and reports or circulars sent to all shareholders. The information is also made available on the SGX-ST's website. If any shareholder is unable to attend, the Articles have made provisions for shareholders to appoint a proxy or proxies to attend and vote on their behalf. The Company is however, not implementing absentia voting methods such as mail, e-mail or fax until the security, integrity and other pertinent issues are addressed satisfactorily.

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.

At the shareholders' meetings, separate resolutions are set for each distinct issue.

Dealing In Securities

(SGX-ST Listing Rule 710(2))

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

The Company issues circulars to its Directors and officers informing them that the Company and its officers must not deal in securities of the Company a month before the release of the half-year or full-year results and two weeks before the release of the quarterly results, as case may be, and if they are in possession of unpublished price sensitive information.

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

Board Committees and Attendance

Name of Directors		Board of Directors No. of meetings held	Board of Directors No. of meetings attended	Audit Committee No. of meetings held	Audit Committee No. of meetings attended
Executive					
Mr Kuah Kok Kim		5	5	5	5*
Non-executive					
Mr Huang Yuan Chiang	(Independent)	5	4	5	4
Mr Ian Wayne Spence	(Independent)	5	5	5	5
Mr Ong Choo Eng	(Non-independent)	5	5	5	5
Mr Philip Eng Heng Nee	(Independent)	5	4	5	4

*Attendance by invitation

Additional Disclosure

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 interests of the Chief Executive Officer, each Director or controlling shareholders, 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 on an arms' length basis.

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

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 2006.

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 of Directors' shareholdings 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 shares and share options of 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 1.4.2005	At 31.3.2006	At 21.4.2006	At 1.4.2005	At 31.3.2006	At 21.4.2006
The Company						
(Ordinary shares)						
Kuah Kok Kim	20,000	634,000	723,000	19,164,000	19,164,000	19,164,000
(Options to subscribe for ordinary shares)						
Philip Eng Heng Nee	200,000	100,000	100,000	–	–	–
Huang Yuan Chiang	120,000	120,000	120,000	–	–	–
Ong Choo Eng	200,000	100,000	100,000	–	–	–
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 2006.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options or debentures of the Company or its related corporations, either at the beginning of the financial year or at the end of the financial year.

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:

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 number of ordinary shares over which the Remuneration Committee may grant options pursuant to the Scheme, when added to the number of 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 total number of issued shares 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 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 its subsidiary companies who are controlling shareholders of the Company (as defined in the Listing Manual of the SGX-ST).

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 its subsidiary companies, 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 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 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 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 (as defined in the Listing Manual of SGX-ST) 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 companies; 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 the Market Price (as defined below) 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 shares of the Company 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.

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

(d) Under the Previous Scheme and the Scheme, share options granted, exercised and cancelled during the financial year and outstanding as at 31 March 2006 were as follows:

		No. of Options					
Date of Grant	As at 1.4.2005	Granted	Exercised	Lapsed/ Cancelled	As at 31.3.2006	Exercise Price	Expiry Date
16.10.2000	200,000	–	–	200,000	–	$0.30	15.10.2005
16.10.2000	586,000	–	–	40,000	546,000	$0.30	15.10.2010
31.07.2003	440,000	–	–	–	440,000	$0.43	30.07.2008
31.07.2003	1,435,000	–	–	310,000	1,125,000	$0.43	30.07.2013
	2,661,000	–	–	550,000	2,111,000		

(e) The participants of the Previous Scheme and the Scheme who are Directors of the Company as at 31 March 2006 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/ cancelled/ lapsed since commencement of Previous Scheme and the Scheme to end of financial year	Aggregate options outstanding as at end of financial year
Kuah Kok Kim	–	–	–	–
Philip Eng Heng Nee	–	200,000	(100,000)	100,000
Huang Yuan Chiang	–	120,000	–	120,000
Ong Choo Eng	–	200,000	(100,000)	100,000
Ian Wayne Spence	–	120,000	–	120,000

Note: The terms of the 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 options under the Previous Scheme and the Scheme have no right to participate by virtue of these options in any share issue of any other company in the Group.

(i) No options have been granted at a discount.

Options to Acquire Shares in a Subsidiary Company

The 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. The Subsea Scheme is administered by the directors of MTQ Subsea Technology Pte Ltd.

The particulars of options granted under the Subsea Scheme are as follows:

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

		No. of Options					
Date of Grant	As at 1.4.2005	Granted	Exercised	Cancelled	As at 31.3.2006	Exercise Price	Expiry Date
21.6.2000	45,000	–	–	–	45,000	$1.20	21.6.2010
10.7.2000	74,740	–	–	74,740	–	$1.20	10.7.2010
	119,740	–	–	74,740	45,000		

The exercise price of options granted under the Subsea Scheme was based on the par value of the share which is $1 per share, with an annual escalation clause.

The abolishment of the concept of "par value" pursuant to the Singapore Companies (Amendment) Act 2005 will not affect the terms of options granted under the Subsea Scheme.

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

The holders of the 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, all of whom are non-executive Directors. 3 of them 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 as follows:

- Reviews the audit plans of the internal and external auditors of the Company and ensures the adequacy of the Company's system of accounting controls and the co-operation given by the Company's management to the external and internal auditors;

- Reviews the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board of Directors;

- Reviews the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;

- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Reviews the cost effectiveness and the independence and objectivity of the external auditors;

- Reviews the nature and extent of non-audit services provided by the external auditors;

- Recommends to the Board of Directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;

- Reports actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considers appropriate; and

- Reviews interested person transactions in accordance with the requirements of the Listing Manual of the SGX-ST.

The Audit Committee, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The Audit Committee has also conducted a review of interested person transactions.

The Audit Committee convened five meetings during the year and has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

The Audit 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
19 June 2006

STATEMENT BY DIRECTORS

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 2006 and the results, 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
19 June 2006

AUDITORS' REPO RT

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 110 for the financial year ended 31 March 2006. 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 2006 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
19 June 2006

PROFIT AND LOSS ACCOUNTS

For the financial year ended 31 March 2006

(In Singapore dollars)

GROUP	Note	Continuing Operations 2006 $'000	Continuing Operations 2005 $'000	Discontinued Operations 2006 $'000	Discontinued Operations 2005 $'000	Total Consolidated 2006 $'000	Total Consolidated 2005 $'000
Revenue	3	52,027	49,745	2,550	6,724	54,577	56,469
Other income/(expenses)	4	2,841	651	(6)	(148)	2,835	503
		54,868	50,396	2,544	6,576	57,412	56,972
Cost of sales		(31,616)	(30,479)	(2,554)	(7,075)	(34,170)	(37,554)
		23,252	19,917	(10)	(499)	23,242	19,418
Staff costs		(9,469)	(8,824)	(406)	(1,007)	(9,875)	(9,831)
Other operating expenses		(11,710)	(9,093)	(263)	(5,458)	(11,973)	(14,551)
Profit/(loss) from operating activities	5	2,073	2,000	(679)	(6,964)	1,394	(4,964)
Finance costs	6	(1,007)	(1,063)	(131)	(306)	(1,138)	(1,369)
Gain on disposition	7	–	–	560	–	560	–
Profit/(loss) from operations before share of results of associated company		1,066	937	(250)	(7,270)	816	(6,333)
Share of results of associated company		3,150	3,514	–	–	3,150	3,514
Profit/(loss) from operations before taxation		4,216	4,451	(250)	(7,270)	3,966	(2,819)
Taxation	8	(522)	(810)	760	246	238	(564)
Net profit/(loss) for the financial year		3,694	3,641	510	(7,024)	4,204	(3,383)
Attributable to :							
Shareholders of the Company		3,694	3,641	418	(5,605)	4,112	(1,964)
Minority interests		–	–	92	(1,419)	92	(1,419)
		3,694	3,641	510	(7,024)	4,204	(3,383)
Earnings/(loss) per share	9						
- Basic		3.87 cts	3.84 cts	0.44 cts	(5.91) cts	4.31 cts	(2.07) cts
- Diluted		3.87 cts	3.83 cts	0.44 cts	(5.90) cts	4.31 cts	(2.07) cts

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

PROFIT AND LOSS ACCOUNTS

For the financial year ended 31 March 2006

(In Singapore dollars)

COMPANY	**Note**	**2006 $'000**	**2005 $'000**
Revenue	3	4,861	4,534
Other income	4	448	352
		5,309	4,886
Staff costs		(1,595)	(1,266)
Other operating expenses		(598)	(7,233)
Profit/(loss) from operating activities	5	3,116	(3,613)
Finance costs	6	(2)	–
Profit/(loss) from operations before taxation		3,114	(3,613)
Taxation	8	(359)	(415)
Net profit/(loss) for the financial year		2,755	(4,028)

BALANCE SHEETS

As at 31 March 2006

(In Singapore dollars)

	Note	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Non-current assets					
Goodwill	10	6,543	7,168	–	–
Property, plant and equipment, net	11	11,038	19,012	1,158	1,502
Subsidiary companies	12	–	–	17,427	26,964
Associated company	13	–	11,138	–	–
Long term investments	14	32,569	–	–	–
Receivables	15	382	1,025	128	106
Deferred tax assets	23	1,148	539	–	–
		51,680	38,882	18,713	28,572
Current assets					
Inventories	16	10,154	8,029	–	–
Trade and other receivables	17	11,542	11,061	16,991	377
Prepayments		956	167	34	24
Tax recoverable		842	922	825	689
Fixed deposits	18	–	2,435	–	400
Cash at bank and in hand	18	3,650	3,320	–	119
Assets classified as held-for-sale	7	399	–	–	–
		27,543	25,934	17,850	1,609
Current liabilities					
Trade and other payables	19	(9,050)	(5,420)	(975)	(174)
Accruals and provisions	20	(4,014)	(4,543)	(558)	(510)
Short term bank borrowings	21	(5,815)	(7,279)	(700)	–
Long term bank borrowings, current portion	21	(1,042)	(3,985)	–	–
Loans from a minority shareholder of a subsidiary company	22	(76)	(1,390)	–	–
Provision for taxation		(358)	(67)	–	–
Liabilities associated with assets classified as held-for-sale	7	(279)	–	–	–
		(20,634)	(22,684)	(2,233)	(684)
Net current assets		6,909	3,250	15,617	925
Non-current liabilities					
Other payables	19	–	–	(3,994)	–
Loans from a minority shareholder of a subsidiary company	22	(1,008)	–	–	–
Long term bank borrowings	21	(5,716)	(7,980)	–	–
Deferred tax liabilities	23	(254)	(379)	(65)	(72)
		(6,978)	(8,359)	(4,059)	(72)
Net assets		51,611	33,773	30,271	29,425
Equity					
Share capital	24	28,126	23,861	28,126	23,861
Reserves	25	24,127	10,704	2,145	5,564
Shareholders' funds		52,253	34,565	30,271	29,425
Minority interests	26	(642)	(792)	–	–
		51,611	33,773	30,271	29,425

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2006

(In Singapore dollars)

GROUP	Attributable to shareholders of the Company						Minority interests	Total equity
	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Fair value adjustment reserve	Shareholders' funds		
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 April 2004	19,887	1,962	1,505	8,923	–	32,277	691	32,968
Exchange difference on translation of overseas subsidiary companies	–	–	54	–	–	54	–	54
Issuance of ordinary shares pursuant to exercise of options	6	1	–	–	–	7	–	7
Issuance of ordinary shares pursuant to share placement	3,968	2,302	–	–	–	6,270	–	6,270
Net loss for the financial year	–	–	–	(1,964)	–	(1,964)	(1,419)	(3,383)
Dilution of minority interests in a subsidiary company	–	–	–	–	–	–	(64)	(64)
Share of reserves movement in associated company	–	–	–	(170)	–	(170)	–	(170)
Dividends paid in respect of previous financial year, less tax (Note 27)	–	–	–	(1,145)	–	(1,145)	–	(1,145)
Dividends paid in respect of current financial year, less tax (Note 27)	–	–	–	(764)	–	(764)	–	(764)
Balance as at 31 March 2005	23,861	4,265	1,559	4,880	–	34,565	(792)	33,773
Effect on adopting FRS 103	–	–	–	474	–	474	–	474
Effect of adopting FRS 39	–	–	–	5	–	5	–	5
Balance as at 1 April 2005 as restated	23,861	4,265	1,559	5,359	–	35,044	(792)	34,252
Transfer of share premium to share capital	4,265	(4,265)	–	–	–	–	–	–
Net gain on fair value changes	–	–	–	–	15,421	15,421	–	15,421
Exchange difference on translation of overseas subsidiary companies	–	–	(897)	–	–	(897)	58	(839)
Net profit for the financial year	–	–	–	4,112	–	4,112	92	4,204
Share of reserves movement in associated company	–	–	–	482	–	482	–	482
Dividends paid in respect of previous financial year, less tax (Note 27)	–	–	–	(1,145)	–	(1,145)	–	(1,145)
Dividends paid in respect of current financial year, less tax (Note 27)	–	–	–	(764)	–	(764)	–	(764)
Balance as at 31 March 2006	28,126	–	662	8,044	15,421	52,253	(642)	51,611

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2006

(In Singapore dollars)

COMPANY	Share capital $'000	Share premium $'000	Retained earnings $'000	Share-holders' funds $'000
Balance as at 1 April 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 for the financial year	–	–	(4,028)	(4,028)
Dividends paid in respect of previous financial year, less tax (Note 27)	–	–	(1,145)	(1,145)
Dividends paid in respect of current financial year, less tax (Note 27)	–	–	(764)	(764)
Balance as at 31 March 2005	23,861	4,265	1,299	29,425
Transfer of share premium to share capital	4,265	(4,265)	–	–
Net profit for the financial year	–	–	2,755	2,755
Dividends paid in respect of previous financial year, less tax (Note 27)	–	–	(1,145)	(1,145)
Dividends paid in respect of current financial year, less tax (Note 27)	–	–	(764)	(764)
Balance as at 31 March 2006	28,126	–	2,145	30,271

Under the Singapore Companies (Amendment) Act 2005, on 30 January 2006, any amount standing to the credit of the Company's share premium shall become part of the Company's share capital.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2006

(In Singapore dollars)

	2006 $'000	2005 $'000
Cash flows from operating activities:		
Profit/(loss) from operations before taxation	3,966	(2,819)
Add/(less):		
Depreciation of property, plant and equipment	3,790	4,866
(Gain)/loss on dilution of shareholding in associated company	(2,108)	54
Gain on disposition of discontinued operations	(560)	–
(Gain)/loss on sale of property, plant and equipment	(103)	40
Interest income	(87)	(81)
Interest expense	1,138	1,369
Share of results of associated company	(3,150)	(3,514)
Impairment loss on property, plant and equipment	–	5,164
Amortisation of goodwill	–	365
Goodwill written off	–	5
Operating income before reinvestment in working capital	2,886	5,449
Increase in receivables and prepayments	(659)	(1,963)
Increase in inventories	(2,623)	(363)
Increase in payables and accruals	3,499	505
Currency realignment	747	1
Cash generated from operations	3,850	3,629
Interest income received	87	81
Interest expense paid	(1,131)	(1,330)
Income taxes paid	(56)	(815)
Net cash provided by operating activities	2,750	1,565
Cash flows from investing activities:		
Acquisition of additional shares in associated company	(2,171)	(1,470)
Dividends received from associated company	544	285
Loans granted to staff	(217)	(264)
Loans repaid by staff	203	118
Proceeds from disposition of discontinued operations	8,391	–
Proceeds from sale of property, plant and equipment	1,025	450
Purchase of property, plant and equipment	(4,597)	(4,291)
Acquisition of additional shares in a subsidiary company	–	(69)
Net cash provided by/(used in) investing activities	3,178	(5,241)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2006 (cont'd)

	2006 $'000	2005 $'000
Cash flows from financing activities:		
Dividends paid	(1,909)	(1,909)
Proceeds from bank borrowings	2,460	2,752
Repayment of bank borrowings	(8,786)	(3,678)
Proceeds from loans from a minority shareholder of a subsidiary company	50	–
Repayment of loans from a minority shareholder of a subsidiary company	(356)	(19)
Repayment of finance leases	–	(1)
Proceeds from issuance of new shares	–	6,277
Net cash (used in)/provided by financing activities	(8,541)	3,422
Net change in cash and cash equivalents	(2,613)	(254)
Cash and cash equivalents at beginning of financial year (Note 18)	5,755	6,005
Effect of exchange rate changes on cash and cash equivalents	(192)	4
Cash and cash equivalents at end of financial year (Note 18)	2,950	5,755

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2006

(In Singapore dollars)

1. Corporate Information

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

The registered office and principal place of business 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 ("ROVs").

As disclosed in Note 7, the Group has divested the ROV assets of its subsidiary companies, MTQ Subsea Technology Pte Ltd and MTQ Subsea Limited, during the year. Following the divestment of the ROV assets, the Group has progressively wound down its business of designing, manufacturing and operation of ROVs.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars ($) and all values are rounded to the nearest thousand ($'000) except where otherwise indicated.

2.2 Changes in Accounting Policies

The accounting policies have been consistently applied by the Company and the Group and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

(a) Adoption of new and revised FRS

On 1 April 2005, the Company and the Group adopted the following new and revised FRS that are applicable in the current financial year.

FRS 1 (revised)	–	Presentation of Financial Statements
FRS 2 (revised)	–	Inventories
FRS 8 (revised)	–	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised)	–	Events after the Balance Sheet Date
FRS 16 (revised)	–	Property, Plant and Equipment
FRS 17 (revised)	–	Leases
FRS 21 (revised)	–	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised)	–	Related Party Disclosures
FRS 27 (revised)	–	Consolidated and Separate Financial Statements
FRS 28 (revised)	–	Investments in Associates

(In Singapore dollars)

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

2.2 Changes in Accounting Policies (cont'd)

(a) *Adoption of new and revised FRS (cont'd)*

FRS 32 (revised)	–	Financial Instruments: Disclosure and Presentation
FRS 33 (revised)	–	Earnings Per Share
FRS 39	–	Financial Instruments: Recognition and Measurement
FRS 102	–	Share-based Payment
FRS 103	–	Business Combinations, including amendments to FRS 36 (revised) – Impairment of Assets and FRS 38 (revised) – Intangible Assets
FRS 105	–	Non-Current Assets Held for Sale and Discontinued Operations

(b) The adoption of the above new and revised FRS did not result in any significant changes to the Group's accounting policies except as disclosed below:

(i) FRS 39 – Financial Instruments: Recognition and Measurement

The Company and the Group adopted FRS 39 prospectively on 1 April 2005. At that date, financial assets within the scope of FRS 39 were classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial assets that were classified as financial assets at fair value through profit or loss and available-for-sale financial assets were measured at fair value while loans and receivables and held-to-maturity investments were measured at amortised cost using the effective interest method.

At 1 April 2005, differences between the carrying values and fair values of financial assets at fair value through profit or loss were recognised in retained earnings while differences between the carrying values and fair values of available-for-sale financial assets were recognised in the fair value adjustment reserve. For investments carried at amortised cost, any differences between the carrying values and amortised costs as at 1 April 2005 were recognised in retained earnings.

At 1 April 2005, financial liabilities (other than derivative financial instruments) within the scope of FRS 39 were measured at amortised costs using the effective interest method. Any difference between the carrying values and amortised costs as at 1 April 2005 were recognised in retained earnings.

According to FRS 39, all derivative financial instruments held by the Company and the Group were recognised as assets or liabilities in the balance sheets and classified as financial assets or financial liabilities at fair value through profit or loss. Fair value adjustments of derivative financial instruments, except for those designated as hedging instruments in cash flow hedges, were recognised in retained earnings as at 1 April 2005.

Under the transitional provisions of FRS 39, the comparative financial statements are not re-stated. Instead, the change in accounting policy on 1 April 2005 had resulted in the following adjustments at that date:

	Increase $'000
Retained earnings	5
Trade and other payables	121
Associated company	126

The effect of adopting FRS 39 had increased the Group's fair value adjustment reserve by $15,421,000 during the financial year.

(In Singapore dollars)

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

2.2 Changes in Accounting Policies (cont'd)

(b) (cont'd)

(ii) FRS 103 – Business Combinations
FRS 36 (revised) – Impairment of Assets

FRS 103 has been applied for business combinations on or after 1 April 2005.

The adoption of FRS 103 and revised FRS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually from 1 April 2005, unless an event occurs during the year which requires the goodwill to be tested more frequently. The transitional provisions of FRS 103 required the Group to eliminate, at 1 April 2005, the carrying amount of the accumulated amortisation of $706,000 with a corresponding decrease in goodwill.

The cessation of annual goodwill amortisation under FRS 103 had lifted the Group's net profit from operations by $370,000. Consequently, both the basic and diluted earnings per share of the Group had increased by 0.39 cents.

Under FRS 103, negative goodwill arising from business combinations must now be recognised immediately in the profit and loss account. Previously, the Group recognised negative goodwill in the profit and loss account over 3 years, being the weighted average useful life of those assets that are depreciable or amortisable.

The transitional provisions of FRS 103 required the Group to derecognise the remaining unamortised negative goodwill included in the carrying amount of associated company at 1 April 2005, amounting to $474,000, with a corresponding increase to retained earnings as at that date.

The inability to recognise negative goodwill in the profit and loss account under FRS 103 had reduced the Group's net profit from operations by $474,000. Consequently, both basic and diluted earnings per share of the Group had been reduced by 0.50 cent each.

Accordingly, under the transitional provisions of FRS 103, the change in accounting policy on 1 April 2005 had resulted in the following adjustments at that date :

	Increase $'000
Retained earnings	474
Associated company	474

(In Singapore dollars)

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

2.2 Changes in Accounting Policies (cont'd)

(b) (cont'd)

(iii) FRS 105 – Non-Current Assets Held for Sale and Discontinued Operations

The Group has applied FRS 105 prospectively in accordance with the transitional provisions of FRS 105. Under the superseded FRS 35, the Group would have recognised a discontinued operation at the earlier of:

- The date the Group enters into a binding sale agreement; and
- The date the Board of Directors have approved and announced a formal disposal plan.

A discontinued operation is a major line of business or geographical unit held for sale or has been disposed of. The effect of this change in accounting policy is that a discontinued operation is recognised by the Group at a later point than under FRS 35 due to the stricter criteria in FRS 105.

(c) FRS and INT FRS not yet effective

Certain new accounting standards and interpretations have been issued and are mandatory for financial years beginning on or after 1 April 2006. The Group has assessed those standards and interpretations issued.

Those standards and interpretations that are relevant to the Group are set out below:

(i) FRS 107 – Financial Instruments : Disclosure

This standard, effective for the financial year beginning on or after 1 April 2007, requires quantitative disclosures of nature and extent of risks arising from financial instruments in addition to the disclosures currently required under FRS 32. Adoption of this standard will result in additional disclosures in the financial statements.

(ii) INT FRS 104 – Determining Whether an Arrangement Contains a Lease

This interpretation, effective for the financial year beginning on or after 1 April 2006, requires the determination of whether an arrangement is, or contains a lease, to be based on the substance of the arrangement and required an assessment of whether the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Group expects that the adoption of the interpretation listed above will have no significant impact on the financial statements in the period of initial application.

2.3 Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the balance sheet date. The financial statements of the subsidiary companies are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

(In Singapore dollars)

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

2.3 Principles of Consolidation (cont'd)

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiary companies are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiary companies are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the Company shareholders' funds, and are separately disclosed in the consolidated profit and loss account.

2.4 Functional and Foreign Currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Singapore dollars, which is the Company's functional and presentation currency.

(a) Functional currency

The management has determined the currency of the primary economic environment in which the Company operates, i.e. functional currency, to be Singapore dollars. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in Singapore dollars.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(In Singapore dollars)

2. *Summary of Significant Accounting Policies (cont'd)*

2.4 *Functional and Foreign Currency (cont'd)*

(b) *Foreign currency transactions (cont'd)*

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary company. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

(c) Foreign currency translation

The results and financial position of foreign operations are translated into Singapore dollars using the following procedures:

- Assets and liabilities, including goodwill and fair value adjustments arising from the acquisition of the foreign operation, for each balance sheet presented are translated at the closing rate ruling at that balance sheet date; and

- Income and expenses for each profit and loss account are translated at average exchange rates for the financial year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account as a component of the gain or loss on disposal.

2.5 **Intangible Assets**

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- Is not larger than a segment based on either the Group's primary or secondary reporting format.

(In Singapore dollars)

2. *Summary of Significant Accounting Policies (cont'd)*

2.5 Intangible Assets (cont'd)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.6 Subsidiary Company

A subsidiary company is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it 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 any impairment losses.

2.7 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 share of the results of the associated company is included in the consolidated profit and loss account.

When the Group's share of losses of the associated company 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.

Details of the associated company are set out in Note 13 and 30.

(In Singapore dollars)

2. *Summary of Significant Accounting Policies (cont'd)*

2.8 Property, Plant and Equipment

Property, plant and equipment are initially recognised at cost. Subsequent to recognition, they are stated at cost less accumulated depreciation and any accumulated impairment losses. Expenditure for additions, improvements and renewals is capitalised and expenditure for maintenance and repairs is charged to the profit and loss account.

When property, plant and equipment 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 for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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

Freehold building	-	20 years
Leasehold land and buildings	-	30 years or the remaining term of the lease
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

The residual values, useful lives and depreciation method are reviewed annually to ensure that the amounts, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future 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.

2.9 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'impairment losses' 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 asset revaluation reserve for that same asset.

(In Singapore dollars)

2. *Summary of Significant Accounting Policies (cont'd)*

2.9 *Impairment of Non-Financial Assets (cont'd)*

An assessment is made at each reporting date as to whether there is any indication that impairment losses recognised previously for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

2.10 Financial Assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Group has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(a) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the profit and loss account.

The Group does not designate any financial assets not held for trading as financial assets at fair value through profit and loss.

(In Singapore dollars)

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

2.10 Financial Assets (cont'd)

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(c) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains and losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investment that is actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

2.11 Long Term Investments

The Group's long term investments are classified as available-for-sale financial assets.

The accounting policies for such financial assets are stated in Note 2.10.

2.12 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 completion and the estimated cost of disposal after making allowance for damaged, obsolete and slow-moving items.

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

Finished goods and work-in-progress include the cost of raw materials, direct labour and attributable production overheads. An expected loss on a contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

2.13 Trade and Other Receivables

Trade and other receivables, including amounts due from subsidiary companies, are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in 2.10.

(In Singapore dollars)

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

2.13 Trade and Other Receivables (cont'd)

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Further details on the accounting policy for this category of financial assets are stated in Note 2.15. Bad debts are written off as incurred.

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

2.14 Cash and Cash Equivalents

Cash and fixed deposits carried in the balance sheet are classified and accounted for as loans and receivables under FRS 39. The accounting policy for such financial assets is stated in Note 2.10.

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. These also include unsecured bank overdrafts that form an integral part of the Group's cash management.

2.15 Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(In Singapore dollars)

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

2.15 Impairment of Financial Assets (cont'd)

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and the amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the income statement. Reversal in respect of an equity instrument classified as available-for-sale is not recognised in the profit and loss account. Reversal of impairment losses on debt instruments is reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

2.16 Financial Liabilities

(a) Loans and borrowings

Loans and borrowings are initially recognised at fair value of the consideration received, net of transaction costs incurred and, are subsequently carried at amortised cost using the effective interest method.

(b) Trade and other payables

Trade and other payables which includes payables to subsidiary companies are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Trade and other payables to non-related parties are normally settled on 60-day terms.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expired.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.17 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

(In Singapore dollars)

2. *Summary of Significant Accounting Policies (cont'd)*

2.17 Provisions (cont'd)

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.18 Income Taxes

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(b) Deferred tax

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 companies 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.

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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(In Singapore dollars)

2. *Summary of Significant Accounting Policies (cont'd)*

2.18 Income Taxes (cont'd)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.19 Employee Benefits

Defined contribution plans

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 as a liability 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 plan

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 was based on the par value of the share which is $1 per share, with an annual escalation clause. The abolishment of the concept of "par value" pursuant to the Singapore Companies (Amendment) Act 2005 will not affect the terms of the options granted under the Subsea Scheme.

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.

(In Singapore dollars)

2. *Summary of Significant Accounting Policies (cont'd)*

2.20 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 fair value, or if lower, at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased property, plant and equipment. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

2.21 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 as and when 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.

2.22 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.

2.23 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.

(In Singapore dollars)

2. *Summary of Significant Accounting Policies (cont'd)*

2.23 Segment Reporting (cont'd)

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.

2.24 Significant Accounting Estimates and Judgements

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill as at 31 March 2006 was $6,543,000 (2005: $7,168,000). More details are given in Note 10.

(b) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's net tax recoverable at 31 March 2006 was $484,000 (2005: $855,000).

(In Singapore dollars)

2. *Summary of Significant Accounting Policies (cont'd)*

2.25 Non-Current Assets Held for Sale and Discontinued Operation

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of, and such a component either i) represents a separate major line of business or geographical area of operations, ii) is part of a single co-ordinated major line of business or geographical area of operations, or iii) is a subsidiary company acquired exclusively with a view to resale. A component is deemed to be held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or all the assets and liabilities in the group) are measured in accordance with the applicable FRSs. Upon classification as held for sale, non-current assets and disposal groups are measured at the lower of carrying amount and fair value less costs to sell. Any difference is recognised in the profit and loss account.

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, rental, as well as consultancy and management fees invoiced for the use of its premises and corporate services rendered to its subsidiary companies.

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Sales and servicing	54,577	56,469	–	–
Dividend	–	–	1,875	1,950
Consultancy and management fee	–	–	2,058	1,726
Rental	–	–	928	858
	54,577	56,469	4,861	4,534

4. Other Income/(Expenses)

Gain on dilution of shareholding in associated company	2,108	–	–	–
Interest income				
- bank deposits	70	81	8	30
- staff loans	17	–	6	–
Rental income	434	322	434	322
Other income	206	100	–	–
	2,835	503	448	352

(In Singapore dollars)

5. Profit/(Loss) from Operating Activities

Profit/(loss) from operating activities is stated after charging/(crediting):

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
(a) **Manpower costs**				
Directors' remuneration:				
- Directors of the Company				
• Salaries, wages and bonuses	587	368	587	368
• Contributions to CPF and other defined contribution plans	4	5	4	5
• Others	3	–	3	–
- Directors of subsidiary companies				
• Salaries, wages and bonuses	681	913	–	–
• Contributions to CPF and other defined contribution plans	30	42	–	–
• Others	151	146	–	–
Fees paid to a firm in which a Director has an interest	–	377	–	–
Other employees' remuneration:				
• Salaries, wages and bonuses	12,637	11,835	901	776
• Contributions to CPF and other defined contribution plans	1,130	1,071	96	92
• Others	2,329	1,701	4	25
	17,552	16,458	1,595	1,266
Less: Manpower costs capitalised	(440)	(241)	–	–
	17,112	16,217	1,595	1,266

Manpower costs of the Company and the Group amounting to $nil and $7,237,000 (2005 : $nil and $6,386,000) respectively have been included in cost of sales.

(In Singapore dollars)

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

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
(b) Other operating expenses				
Allowance for doubtful receivables, net	454	326	–	–
Bad debts written off, net	3	–	–	–
Depreciation of property, plant and equipment	2,237	1,671	406	404
Directors' fees				
- Directors of the Company	105	120	105	120
- Other directors	4	4	–	–
(Gain)/loss on sale of property, plant and equipment, net	(103)	40	(2)	–
Allowance for inventory obsolescence	215	246	–	–
Write-back of allowance for inventory obsolescence	(141)	–	–	–
Inventories written back	–	(36)	–	–
Loss/(gain) on exchange, net	1,400	(223)	(3)	14
Non-audit fees paid to				
- Auditors of the Company	114	103	46	50
- Other auditors	83	112	–	–
Operating lease expenses	1,304	1,281	234	210
Amortisation of goodwill	–	365	–	–
Goodwill written off	–	5	–	–
Impairment loss on property, plant and equipment	–	5,164	–	–
Loss on dilution of shareholding in associated company	–	54	–	–
(Write-back of)/ allowance for doubtful receivables due from subsidiary companies	–	–	(957)	3,589
(Write-back of)/ impairment in value of investments in subsidiary companies, net	–	–	(174)	1,732

(In Singapore dollars)

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

Depreciation of property, plant and equipment for the Group amounting to $1,553,000 (2005 : $3,195,000) has been included in cost of sales.

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

Number of Directors in remuneration bands

	Company	
	2006	2005
$500,000 and above	1	–
$250,000 to $499,999	–	1
Below $250,000	4	5
Total	5	6

6. Finance Costs

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Interest on:				
- bank loans and overdrafts	1,131	1,330	2	–
- loans from a minority shareholder of a subsidiary company (Note 22)	–	23	–	–
- Others	7	16	–	–
	1,138	1,369	2	–

(In Singapore dollars)

7. Discontinued Operations

On 13 September 2005, the Group's subsidiary companies, MTQ Subsea Technology Pte Ltd and MTQ Subsea Limited, completed the sale of their ROV fleet to Oceaneering International AG for a total consideration of $8,492,000 (US$5,062,500). Following the divestment of its ROV fleet, the subsidiary companies have progressively wound down their ROV operations and realised their other ROV assets.

As at 31 March 2006, only inventories of $399,000 and trade payables of $279,000 relating to the subsidiary companies were classified as held for sale.

As at 31 March 2006, total proceeds from the disposition of its ROV fleet and other assets, amounting to $8,391,000 net of costs, has been fully received.

The carrying amounts of the net assets disposed of are as follows:

	Group	
	2006 $'000	**2005 $'000**
Total assets	7,487	8,329
Total liabilities	–	–
	7,487	8,329

The net cash flows attributable to the discontinued operation are as follows:

Operating	(826)	531
Investing	8,396	(153)
Financing	(7,544)	(154)
	26	224

(In Singapore dollars)

8. Taxation

(a) Major components of income tax expense

(i) Profit and loss account

	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Current taxation				
Current income taxation	633	269	336	475
Under/(over) provision in respect of prior years	300	(75)	30	–
	933	194	366	475
Deferred taxation				
Movements in temporary differences	(413)	45	116	(14)
Overprovision in respect of prior years	(415)	(167)	(123)	(46)
	(828)	(122)	(7)	(60)
Share of taxation of associated company	417	738	–	–
Taxation attributable to continuing operations	522	810	359	415
Taxation attributable to discontinued operations				
- current income taxation	(444)	(116)	–	–
- overprovision in respect of prior years	(316)	(130)	–	–
	(760)	(246)	–	–
Taxation (credit)/ expense recognised in profit and loss account	(238)	564	359	415

(ii) Statements of changes in equity

	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Deferred taxation arising from net change in fair value adjustment charged directly to equity	(10,133)	–	–	–

(In Singapore dollars)

8. Taxation (cont'd)

(b) Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 March 2006 and 31 March 2005 is as follows:

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Profit/(loss) from operations before taxation	3,966	(2,819)	3,114	(3,613)
Less : Share of results of associated company	(3,150)	(3,514)	–	–
Profit/(loss) from operations before share of results of associated company	816	(6,333)	3,114	(3,613)
Tax at Singapore statutory tax rate of 20% (2005 : 20%)	163	(1,267)	623	(723)
Tax effect of expenses not deductible for tax purposes	1,091	496	–	1,195
Tax effect of income not subject to tax	(364)	(39)	(203)	(11)
Deferred tax assets not recognised	824	1,248	32	–
Utilisation of deferred tax assets previously not recognised	(1,406)	(189)	–	–
Effect of difference in effective tax rates of other countries	(498)	(83)	–	–
Overprovision of tax in respect of prior years	(431)	(372)	(93)	(46)
Others	(34)	32	–	–
	(655)	(174)	359	415
Add : Share of taxation of associated company	417	738	–	–
	(238)	564	359	415

(In Singapore dollars)

8. Taxation (cont'd)

As at 31 March 2006, certain subsidiary companies had unutilised tax losses of approximately $8,235,000 (2005 : $5,974,000) and unabsorbed capital allowances of approximately $2,191,000 (2005 : $1,668,000), 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 $2,433,000 (2005 : $3,617,000) from 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.

9. Earnings/(Loss) Per Share

(a) Continuing operations

Basic earnings/(loss) per share amounts are calculated by dividing the profit/(loss) from continuing operations attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings/(loss) per share amounts are calculated by dividing the profit/(loss) from continuing operations attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares that would be issued upon conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflects the profit and loss account and share data used in the computation of basic and diluted earnings per share from continuing operations for the financial years ended 31 March:

	Group	
	2006 $'000	**2005 $'000**
Net profit/(loss) for the financial year attributable to shareholders	4,112	(1,964)
(Less)/add : Net (profit)/loss from discontinued operations attributable to shareholders	(418)	5,605
Net profit from continuing operations attributable to shareholders used in computation of earnings/(loss) per share	3,694	3,641

(In Singapore dollars)

9. *Earnings/(Loss) Per Share (cont'd)*

	Number of shares	
	'000	'000
Weighted average number of ordinary shares in issue applicable to basic earnings/(loss) per share	95,445	94,922
Effect of dilution: Share options	60	141
Weighted average number of ordinary shares adjusted for the effect of dilution	95,505	95,063

1,565,000 (2005 : 1,875,000) share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and prior financial years presented.

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

(b) Discontinued operations

The basic and diluted earnings/(loss) per share from discontinued operations are calculated by dividing the net profit/(loss) from discontinued operations attributable to shareholders of the Company by the weighted average number of ordinary shares in issue applicable to basic earnings/(loss) per share and adjusted weighted average number of ordinary shares applicable to diluted earnings/(loss) per share respectively. These profit and loss account and share data are presented in caption (a) above of this Note.

(In Singapore dollars)

10. Goodwill

	Group $'000
Cost :	
At 1 April 2004	7,783
Currency realignment	91
Acquisition of additional interest in a subsidiary company	5
Goodwill written off	(5)
At 31 March 2005	7,874
Currency realignment	(625)
Elimination of accumulated amortisation	(706)
At 31 March 2006	6,543
Accumulated amortisation :	
At 1 April 2004	325
Currency realignment	16
Amortisation	365
At 31 March 2005	706
Elimination of accumulated amortisation	(706)
At 31 March 2006	–
Net book value:	
At 31 March 2006	6,543
At 31 March 2005	7,168

As from 1 April 2005, the date of adoption of FRS 103, goodwill was no longer amortised but is now subject to annual impairment testing. For the financial year ended 31 March 2005, goodwill was amortised evenly over management's estimate of its useful life of twenty years.

(In Singapore dollars)

10. *Goodwill (cont'd)*

Impairment testing of goodwill

Goodwill has been allocated to the two cash-generating units ("CGUs") within the "Engine Systems" segment in Australia for the purpose of annual impairment testing as set out below:

	Group	
	2006 $'000	2005 $'000
Fuel injection	6,164	6,753
Turbocharger	379	415
	6,543	7,168

The recoverable amount of the respective CGU is determined using cash flow projections based on financial budgets approved by management covering a period of 5 years with an annual growth rate of 10%. No growth rate has been factored into the cash flow projections of both CGUs beyond the 5-year period. Management believes that the annual growth rate of 10% is justified given past performance and expectations for market development. A pre-tax discount rate of 12% was applied to the cash flow projections.

(In Singapore dollars)

11. Property, Plant and Equipment, Net

GROUP	Freehold land $'000	Freehold building $'000	Leasehold land $'000	Leasehold buildings $'000	Plant, workshop and rental equipment $'000	Furniture and fixtures, office equipment and motor vehicles $'000	Assets under construction $'000	Total $'000
Cost								
At 1 April 2004	316	406	107	6,674	38,358	5,729	455	52,045
Currency realignment	4	5	(4)	(24)	(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	103	6,650	32,224	7,769	579	48,056
Currency realignment	(29)	(35)	2	11	(560)	(449)	(34)	(1,094)
Additions	–	–	–	–	3,439	444	714	4,597
Disposals/written off	–	–	(105)	(657)	(19,102)	(1,080)	–	(20,944)
Transfers	–	–	–	–	132	934	(1,066)	–
At 31 March 2006	291	376	–	6,004	16,133	7,618	193	30,615
Accumulated depreciation and impairment								
At 1 April 2004	–	87	30	4,590	18,994	3,046	–	26,747
Currency realignment	–	2	(1)	(6)	(3)	52	–	44
Depreciation	–	20	2	297	3,167	1,380	–	4,866
Disposals/written off	–	–	–	–	(7,624)	(153)	–	(7,777)
Impairment	–	–	–	65	4,906	–	193	5,164
At 31 March 2005	–	109	31	4,946	19,440	4,325	193	29,044
Currency realignment	–	(11)	1	4	(276)	(293)	–	(575)
Depreciation	–	20	1	288	1,530	1,951	–	3,790
Disposals/written off	–	–	(33)	(229)	(11,417)	(1,003)	–	(12,682)
At 31 March 2006	–	118	–	5,009	9,277	4,980	193	19,577
Net book value								
At 31 March 2006	291	258	–	995	6,856	2,638	–	11,038
At 31 March 2005	320	302	72	1,704	12,784	3,444	386	19,012

(In Singapore dollars)

11. Property, Plant and Equipment, Net (cont'd)

COMPANY	Leasehold 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
Additions	–	–	62	62
Disposals/written off	–	–	(814)	(814)
At 31 March 2006	6,004	1,059	1,236	8,299
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	284	7	115	406
Disposals/written off	–	–	(814)	(814)
At 31 March 2006	5,009	1,052	1,080	7,141
Net book value				
At 31 March 2006	995	7	156	1,158
At 31 March 2005	1,279	14	209	1,502

(In Singapore dollars)

11. *Property, Plant and Equipment, Net (cont'd)*

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

Location	Description	Area sq. m.	Tenure	Net book value 2006 $'000	Net book value 2005 $'000
Freehold land and buildings					
32 Raynham Street Salisbury Queensland 4107 Australia	Office building and workshop	2,200	Freehold	549	622
Leasehold and buildings					
182 Pandan Loop Singapore 128373	Office building and workshop	4,460	30 years lease from 16.09.1979	995	1,279
3 Hala Jatilo Taman Meru Industrial Estate Jelapang 30200 Ipoh Perak, Malaysia	Office building and workshop	2,732	60 years lease from 06.09.1984	–	497
Total				995	1,776

Assets pledged as securities

The carrying amounts of property, plant and equipment pledged as securities to secure bank borrowings of subsidiary companies are as follows (Note 21):

	Net book value 2006 $'000	Net book value 2005 $'000
Freehold land	291	320
Freehold building	258	302
Plant and equipment	2,328	5,902
Furniture and fixtures, office equipment and motor vehicles	2,142	3,112
Assets under construction	–	386

(In Singapore dollars)

12. Subsidiary Companies

	Company 2006 $'000	Company 2005 $'000
Unquoted shares, at cost :		
At beginning of financial year	27,565	27,496
Acquisition of additional shares in a subsidiary company	–	69
At end of financial year	27,565	27,565
Impairment in value of investments	(10,574)	(10,748)
Net investment in unquoted shares	16,991	16,817
Inter-company indebtedness :		
Amounts owing by subsidiary companies (Trade)	11	5,417
Amounts owing by subsidiary companies (Non-trade)	438	4,718
Loans to subsidiary companies		
- Interest free	2,759	8,969
- Interest bearing	–	179
Allowance for amounts owing by subsidiary companies	(2,772)	(3,789)
	436	15,494
Amounts owing to subsidiary companies (Non-trade)	–	(121)
Loans from subsidiary companies	–	(5,226)
	436	10,147
	17,427	26,964

The amounts and loans owing by subsidiary companies included as part of the Company's net investment in subsidiary companies are unsecured, have no repayment terms and are repayable only when the cash flows of the subsidiary companies permit. Accordingly, the fair value of these loans and receivables are not determinable as the timing of the future cash flows arising from the repayment or payment of these loans and receivables cannot be estimated reliably.

Further details regarding subsidiary companies are set out in Note 30.

(In Singapore dollars)

13. Associated Company

	Group	
	2006 $'000	2005 $'000
Quoted shares, at cost	8,947	6,776
Share of post-acquisition reserves	6,079	1,174
Negative goodwill previously recognised in the profit and loss account	2,328	2,328
Unamortised negative goodwill recognised in opening retained earnings on adoption of FRS 103	474	–
Currency realignment	(680)	860
Deemed disposal arising from dilution of shareholding	(17,148)	–
	–	11,138
Market value of quoted shares at 31 March	–	17,135

On 29 November 2005, the Group's investment in associated company was reduced to below 20% and consequently the investment was reflected as a long term investment and accounted for as an available-for-sale financial asset. In accordance with FRS 39, the carrying amount of the investment as at the date it ceased to be an associated company has been regarded as its cost on initial measurement.

The summarised financial information of the associated company are as follows :

Assets and liabilities		
Current assets	–	57,434
Non-current assets	–	55,612
Total assets	–	113,046
Current liabilities	–	41,043
Non-current liabilities	–	16,988
Total liabilities	–	58,031
Results		
Revenue	–	154,873
Profit for the financial year	–	4,872

(In Singapore dollars)

14. Long Term Investments

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Available for sale				
Quoted investment				
At cost	17,148	–	–	–
Fair value adjustment	15,421	–	–	–
At fair value	32,569	–	–	–
Unquoted investment				
At cost	–	685	–	685
Impairment in value of unquoted investment	–	(685)	–	(685)
	–	–	–	–

15. Receivables

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Staff loans, non-current	382	363	128	106
Trade receivables	–	662	–	–
	382	1,025	128	106

Staff loans relate to interest-free loans extended to executive 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 2012. The executive 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 staff loans are carried at amortised cost. The current portion of these loans is disclosed in Note 17.

(In Singapore dollars)

16. Inventories

	Group	
	2006 $'000	2005 $'000
First-in-first-out basis		
- Finished goods	2	261
- Raw materials	326	260
- Work-in-progress	2,106	1,292
- Engines and spares	261	161
	2,695	1,974
Weighted average basis		
- Finished goods	7,322	6,052
- Work-in-progress	34	–
- Goods-in-transit	103	3
	7,459	6,055
	10,154	8,029
Finished goods, raw materials and engines and spares are stated after deducting an allowance for inventory obsolescence of :		
- first-in-first-out basis	107	248
- weighted average basis	205	20
	312	268

During the year, the Group reversed an allowance for inventory obsolescence of $141,000 (2005: $nil) made in prior years as the inventories were sold above the carrying amounts. The reversal had been included as part of other operating expenses.

(In Singapore dollars)

17. Trade and Other Receivables

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Trade receivables	10,895	10,544	–	–
Advances to suppliers	–	46	–	–
Sundry deposits	23	15	2	3
Rental receivables	370	285	370	285
Sundry receivables	159	71	27	63
Staff loans, current (Note 15)	95	100	30	26
Amounts owing by subsidiary companies				
- Trade	–	–	5,107	–
- Non-trade	–	–	1,551	–
- Interest-free loans	–	–	9,904	–
	11,542	11,061	16,991	377
Trade receivables are stated after deducting an allowance for doubtful receivables of :				
- trade receivables	1,341	1,019	113	113
- amounts owing by subsidiary companies	–	–	60	–
	1,341	1,019	173	113

The amounts and loans owing by subsidiary companies included under trade and other receivables are unsecured, non-interest bearing, and are repayable on demand.

(In Singapore dollars)

18. Cash and Cash Equivalents

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

	Group	
	2006 $'000	2005 $'000
Cash at bank and in hand	3,650	3,320
Fixed deposits	–	2,435
Bank overdrafts, unsecured	(700)	–
	2,950	5,755

19. Trade and Other Payables

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Current				
Trade payables	8,594	4,821	24	24
Sundry payables	456	599	102	150
Amounts owing to subsidiary companies				
- Non-trade	–	–	117	–
- Interest-free loans	–	–	732	–
	9,050	5,420	975	174
Non-current				
Amounts owing to subsidiary companies				
- Interest-free loans	–	–	3,994	–

The amounts and loans owing to subsidiary companies included under current payables are unsecured, non-interest bearing and are repayable on demand.

The loans owing to subsidiary companies included under non-current payables are unsecured, non-interest bearing and have no repayment terms. Accordingly, the fair value of these loans are not determinable as the timing of the future cash flows arising from the payment of these loans cannot be estimated reliably.

(In Singapore dollars)

20. Accruals and Provisions

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Accruals for staff related costs	2,825	2,882	339	243
Sundry accruals	1,189	1,661	219	267
	4,014	4,543	558	510

21. Bank Borrowings

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Short term bank borrowings				
Bank overdrafts				
Unsecured (Note 18)	700	–	700	–
Secured				
- Facility 1	1,985	1,961	–	–
- Facility 2	–	914	–	–
Short term bank loans				
Unsecured	582	327	–	–
Secured				
- Facility 1	1,348	1,477	–	–
- Facility 2	–	2,600	–	–
- Facility 3	1,200	–	–	–
	5,815	7,279	700	–
Long term bank borrowings, current portion				
Long term bank loans				
Secured				
- Facility 1	842	2,385	–	–
- Facility 2	–	800	–	–
- Facility 3	200	800	–	–
	1,042	3,985	–	–

(In Singapore dollars)

21. *Bank Borrowings (cont'd)*

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Long term bank borrowings, non-current portion				
Long term bank loans				
Secured				
- Facility 1	5,160	6,090	–	–
- Facility 2	–	1,890	–	–
- Facility 3	556	–	–	–
	5,716	7,980	–	–

Unsecured bank borrowings :

The unsecured bank overdraft is repayable on demand and bears interest at 1% per annum above the bank's prime rate.

The unsecured short term bank loans relate to 30 day revolving loans. Interest is payable at 2.5% per annum above the bank's cost of funds.

Secured bank borrowings :

The secured bank borrowings of the Group, comprising bank overdrafts, short term and long term bank loans, are granted to subsidiary companies as follows :

Facility 1

The overdraft is repayable on demand and bears interest at 2% per annum above the bank's reference lending rate.

The short term bank loans are 30 day to 90 day revolving loans and interest is payable at 2% per annum above the bank's bill rate or cost of funds, whichever is higher. The facility expires on 22 April 2009.

The long term bank loans mature on 23 October 2012 and are repayable in monthly instalments of A$60,000. Interest is payable at 2% per annum above the bank's bill rate.

The facility 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 $549,000 as at 31 March 2006 (2005 : $622,000);

(In Singapore dollars)

21. *Bank Borrowings (cont'd)*

- legal assignment of the sales proceeds of the aforementioned property;
- legal charge of 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.

Facility 2

This facility has been fully repaid during the current financial year.

Facility 3

The short term bank loans are short term revolving loans with tenure of 3 or 6 months. Interest is payable at 1.75% per annum above the bank's cost of funds.

The long term bank loan is repayable over quarterly instalments of $50,000. Interest is payable at the rate of 1.80% per annum above the bank's cost of funds.

The facility is secured by the following :

- fixed charge on certain workshop equipment with a net book value of $776,000 as at 31 March 2006 (2005 : $1,378,000) purchased with the bank borrowings; and
- corporate guarantee from the Company.

Further information on the interest rates and maturities of the bank borrowings are set out in Note 33.

22. Loans from a Minority Shareholder of a Subsidiary Company

	Group	
	2006 $'000	2005 $'000
Current		
Loan from a minority shareholder of a subsidiary company	76	1,390
Non-current		
Loans from a minority shareholder of a subsidiary company	1,008	–
	1,084	1,390

(In Singapore dollars)

22. *Loans from a Minority Shareholder of a Subsidiary Company (cont'd)*

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 $nil (2005: $728,545) which bears interest of nil% (2005: 2.62% to 3.95%) 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. Accordingly, apart from the current portion of the loan which is expected to be repayable within the next twelve months, the fair value of the loans are not determinable as the timing of the future cash flows arising from the payment of the loans cannot be estimated reliably.

23. Deferred Tax (Assets)/Liabilities

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
At beginning of financial year	(160)	103	72	132
Currency realignment	94	(11)	–	–
Written back during the financial year	(828)	(252)	(7)	(60)
At end of financial year	(894)	(160)	65	72
Deferred tax liabilities				
Excess of net book value over tax written down value of property, plant and equipment	223	1,153	–	90
Unrealised foreign exchange gain	71	325	–	–
Unremitted foreign income	198	198	87	–
Others	108	19	–	–
	600	1,695	87	90

(In Singapore dollars)

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

	Group		Company	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Deferred tax assets				
Unabsorbed capital allowances and tax losses	(235)	(1,112)	–	–
Employee benefits	(408)	(480)	(22)	(18)
Unrealised foreign exchange loss	(151)	–	–	–
Other provisions	(471)	(66)	–	–
Others	(229)	(197)	–	–
	(1,494)	(1,855)	(22)	(18)
	(894)	(160)	65	72

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 :

Deferred tax assets	(1,148)	(539)	–	–
Deferred tax liabilities	254	379	65	72
Deferred tax (assets)/liabilities, net	(894)	(160)	65	72

(In Singapore dollars)

24. Share Capital

	Group and Company			
	2006		2005	
	No. of shares		No. of shares	
	'000	$'000	'000	$'000
Ordinary shares issued and fully paid				
At beginning of financial year	95,445	23,861	79,549	19,887
Ordinary shares issued pursuant to exercise of options for cash	–	–	25	6
Ordinary shares issued pursuant to share placement for cash	–	–	15,871	3,968
Transfer of share premium to share capital	–	4,265	–	–
At end of financial year	95,445	28,126	95,445	23,861

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.

The Singapore Companies (Amendment) Act 2005, which came into operation on 30 January 2006, abolished the concepts of "par value" and "authorised capital" and the shares of the Company ceased to have a par value. In addition, on 30 January 2006, any amount standing to the credit of the share premium became part of the Company's share capital.

There are outstanding options to subscribe for ordinary shares of the Company granted under the Previous Scheme and the Scheme as disclosed in Note 31.

25. Reserves

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Distributable reserves				
- Retained earnings	8,044	4,880	2,145	1,299
- Foreign currency translation reserve	662	1,559	–	–
Fair value adjustment reserve	15,421	–	–	–
Non-distributable reserve				
- Share premium	–	4,265	–	4,265
	24,127	10,704	2,145	5,564

(In Singapore dollars)

25. Reserves (cont'd)

Foreign currency translation reserve

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

Fair value adjustment reserve

Fair value adjustment reserve relates to the cumulative fair value changes of available-for-sale financial assets marked to fair value until the investment is derecognised.

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

26. Minority Interests

Minority interests relates to the share by a minority shareholder of a subsidiary company of the negative net worth of the subsidiary company amounting to $642,000 (2005 : $792,000). The minority shareholder's deemed obligations to share in such deficit is detailed in Note 22.

27. Dividends

	Group and Company	
	2006 $'000	2005 $'000
Paid in respect of the previous financial year :		
- Final dividend of 1.5 cents per ordinary share, less tax (2005: 1.5 cents per ordinary share, less tax)	1,145	1,145
Paid in respect of the current financial year :		
- Interim dividend of 1.0 cent per ordinary share, less tax (2005: 1.0 cent per ordinary share, less tax)	764	764
	1,909	1,909
After the balance sheet date, the Directors proposed the following dividends :		
Final dividend of 1.5 cents per ordinary share, less tax (2005 : 1.5 cents per ordinary share, less tax)	1,145	1,145

Proposed dividend is calculated based on total ordinary shares issued as at 19 June 2006.

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.

(In Singapore dollars)

28. 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 2012 and contain provisions 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	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Within one year	1,183	1,068	227	216
After one year but not more than five years	2,590	2,232	572	784
More than five years	295	–	–	–
	4,068	3,300	799	1,000

Capital expenditure

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

Authorised but not committed	822	2,174	137	102
Authorised and committed	3,264	202	–	–
	4,086	2,376	137	102

Contingent liabilities

(i) As at 31 March 2006, the corporate guarantees provided by the Company to banks for facilities extended to subsidiary companies amounted to $22,632,000 (2005 : $23,365,000).

(In Singapore dollars)

28. Commitments and Contingencies (cont'd)

(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 $605,000) plus interests and costs.

CSR has defended the proceedings and filed a counterclaim against MTQES for loss and damage of approximately A$1,080,000 (approximately $1,264,000) 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 has also submitted 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 in respect of the counterclaim.

Other commitments

(i) Consultancy agreement

MTQES has entered into a consultancy agreement during the financial year ended 31 March 2004 with Mr Don Wilkey for the provision of consultancy services in respect of the development of its fuel injection business. Mr Wilkey was 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 $117,000) per annum for the consultancy services, six monthly in arrears over 5 years, commencing 23 April 2004.

(ii) Financial support

The Company has provided Letters of financial support to certain subsidiary companies that it will not demand repayment of the amounts owing by such subsidiary companies unless such repayment will not jeopardise the ability of these subsidiary companies to meet their obligations as and when they fall due. The total amount owing from these subsidiary companies is $14,676,000 (2005 : $4,321,000).

(In Singapore dollars)

29. 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. 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.

(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) 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 ("RCR"), an associated company in Australia. During the financial year, the Group's shareholding in RCR was diluted below 20% and accordingly, the investment in RCR is now reflected as a quoted long term investment.

(v) Subsea robotics

Engages in designing, manufacturing and leasing of remotely operated vehicles ("ROVs") for subsea operations. This segment operates mainly in the Asian region. During the financial year, the Group sold its ROV assets and wound down the ROV operations progressively.

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

(In Singapore dollars)

29. *Information by Segment on the Group's Operations (cont'd)*

By industrial segments

	Continuing Operations							Discontinued Operations	
	Investment Holding $'000	Oilfield Engineering $'000	Engine Systems $'000	Multi-disciplined Engineering $'000	Others $'000	Eliminations $'000	Total $'000	Subsea Robotics $'000	Total Consolidated $'000
2006									
Revenue and expenses									
External sales	–	18,814	33,213	–	–	–	52,027	2,550	54,577
Inter-segment sales	2,986	651	23	–	–	(3,660)	–	–	–
Total sales	2,986	19,465	33,236	–	–	(3,660)	52,027	2,550	54,577
Segment results	(200)	4,175	(4,035)	–	(47)	2,093	1,986	(679)	1,307
Gain on disposition (Note 7)	–	–	–	–	–	–	–	560	560
	(200)	4,175	(4,035)	–	(47)	2,093	1,986	(119)	1,867
Interest income							87	–	87
Finance costs							(1,007)	(131)	(1,138)
Share of result of associated company				3,150			3,150	–	3,150
Taxation							(522)	760	238
Net profit for the financial year							3,694	510	4,204

(In Singapore dollars)

29. Information by Segment on the Group's Operations (cont'd)

By industrial segments

	Continuing Operations							Discontinued Operations	
	Investment Holding	Oilfield Engineering	Engine Systems	Multi-disciplined Engineering	Others	Eliminations	Total	Subsea Robotics	Total Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2006									
Assets and liabilities									
Segment assets	1,749	16,511	25,641	32,569	41	(17)	76,494	739	77,233
Deferred tax assets							1,148	–	1,148
Tax recoverable							842	–	842
Total assets							78,484	739	79,223
Segment liabilities	(653)	(5,000)	(7,230)	–	(62)	–	(12,945)	(398)	(13,343)
Provision for taxation							(268)	(90)	(358)
Deferred tax liabilities							(254)	–	(254)
Bank borrowings							(12,573)	–	(12,573)
Loans from a minority shareholder of a subsidiary Company							–	(1,084)	(1,084)
Total liabilities							(26,040)	(1,572)	(27,612)

(In Singapore dollars)

29. Information by Segment on the Group's Operations (cont'd)

By industrial segments

	Continuing Operations							Discontinued Operations	
	Investment Holding	Oilfield Engineering	Engine Systems	Multi-disciplined Engineering	Others	Eliminations	Total	Subsea Robotics	Total Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2006									
Other segmental information									
Capital expenditure	62	3,637	898	–	–	(14)	4,583	14	4,597
Depreciation	406	596	2,226	–	5	(3)	3,230	560	3,790
Other non-cash (income)/expenses:									
- (Gain)/loss on sale of property, plant and equipment	(2)	(73)	(40)	–	32	–	(83)	(20)	(103)
- Gain on dilution of shareholding in associated company	–	–	–	(2,108)	–	–	(2,108)	–	(2,108)
	(2)	(73)	(40)	(2,108)	32	–	(2,191)	(20)	(2,211)

By geographical segments

	Singapore	Australia	United Kingdom	Malaysia	Indonesia	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2006						
External sales	21,154	32,351	210	–	862	54,577
Segment assets	18,927	57,485	71	40	710	77,233
Capital expenditure	3,713	783	–	–	101	4,597

(In Singapore dollars)

29. *Information by Segment on the Group's Operations (cont'd)*

By industrial segments

	Continuing Operations							Discontinued Operations	
	Investment Holding $'000	Oilfield Engineering $'000	Engine Systems $'000	Multi-disciplined Engineering $'000	Others $'000	Eliminations $'000	Total $'000	Subsea Robotics $'000	Total Consolidated $'000
2005									
Revenue and expenses									
External sales	–	15,974	33,771	–	–	–	49,745	6,724	56,469
Inter-segment sales	2,584	984	–	–	–	(3,568)	–	–	–
Total sales	2,584	16,958	33,771	–	–	(3,568)	49,745	6,724	56,469
Segment results	(3,715)	2,639	(381)	–	(86)	3,608	2 ,065	(1,865)	200
Impairment loss on property, plant and equipment	–	–	–	–	(65)	–	(65)	(5,099)	(5,164)
	(3,715)	2,639	(381)	–	(151)	3,608	2,000	(6,964)	(4,964)
Finance costs							(1,063)	(306)	(1,369)
Share of results of associated company				3,514			3,514	–	3,514
Taxation							(810)	246	(564)
Net profit/(loss) for the financial year							3,641	(7,024)	(3,383)

(In Singapore dollars)

29 *Information by Segment on the Group's Operations (cont'd)*

By industrial segments

	Continuing Operations							Discontinued Operations	
	Investment Holding	Oilfield Engineering	Engine Systems	Multi-disciplined Engineering	Others	Eliminations	Total	Subsea Robotics	Total Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2005									
Assets and liabilities									
Segment assets	12,319	16,080	27,097	11,138	523	(13,555)	53,602	9,753	63,355
Deferred tax assets							539	–	539
Tax recoverable							922	–	922
Total assets							55,063	9 ,753	64,816
Segment liabilities	(692)	(2,388)	(16,755)	–	(869)	17,238	(3,466)	(6,497)	(9,963)
Provision for taxation							–	(67)	(67)
Deferred tax liabilities							(379)	–	(379)
Bank borrowings							(13,040)	(6,204)	(19,244)
Loans from a minority shareholder of a subsidiary company							–	(1,390)	(1,390)
Total liabilities							(16,885)	(14,158)	(31,043)

(In Singapore dollars)

29. *Information by Segment on the Group's Operations (cont'd)*

By industrial segments

	Continuing Operations							Discontinued Operations	
	Investment Holding $'000	Oilfield Enginee-ring $'000	Engine Systems $'000	Multi-disciplined Engineering $'000	Others $'000	Elimina-tions $'000	Total $'000	Subsea Robotics $'000	Total Consolid-ated $'000
2005									
Other segmental information									
Capital expenditure	26	1,075	3,039	–	–	(3)	4,137	154	4,291
Depreciation	404	791	1,637	–	15	(4)	2,843	2,023	4,866
Other non-cash (income)/expenses:									
- (Gain)/loss on sale of property, plant and equipment	–	(3)	43	–	–	–	40	–	40
- Amortisation of goodwill	–	–	365	–	–	–	365	–	365
- Goodwill written off	–	–	–	–	–	5	5	–	5
- Loss on dilution of shareholding in associated company	–	–	–	54	–	–	54	–	54
	–	(3)	408	54	–	5	464	–	464

By geographical segments

	Singapore $'000	Australia $'000	United Kingdom $'000	Malaysia $'000	Indonesia $'000	Total $'000
2005						
External sales	21,385	33,452	1,313	–	319	56,469
Segment assets	18,457	37,638	6,152	522	586	63,355
Capital expenditure	1,209	3,036	43	–	3	4,291

(In Singapore dollars)

30. 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 2006 $'000	Cost 2005 $'000	Percentage of equity held by the Group 2006 %	Percentage of equity held by the Group 2005 %
	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	4,679	77.5	77.5
	MTQ Equipment Rental Pte. Ltd. (Republic of Singapore)	Providing oilfield equipment rental services (Republic of Singapore)	6,112	6,112	100	100
	MTQ Investments 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 and fuel injection parts (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	27,565		

(In Singapore dollars)

30. *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	
			2006	2005	2006	2005
			$'000	$'000	%	%
	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	77.5
v	Dynamic Turbocharger Services (Australia) Pty Ltd (Australia)	Inactive (Australia)	– ♦	– ♦	100	100
ii	PT MTQ Engine Systems Indonesia (Indonesia)	Sales and servicing of turbochargers and fuel injection parts (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	–	22.0

i Audited by Ernst & Young, Australia
ii Audited by Prasetio, 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.

(In Singapore dollars)

31. 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 (the "Previous Scheme"), and the MTQ Subsea Technology Pte Ltd Share Option Scheme (the "Subsea Scheme") for granting of share options to Directors and executives (the "Scheme").

MTQ Corporation Executives' Share Option Scheme 2003

The Scheme was approved by shareholders of the Company at an Extraordinary General Meeting held on 14 April 2003.

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:

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.

(a) The principal terms of the Scheme are :

(i) **Scheme Size and Duration**

The aggregate number of ordinary shares over which the Remuneration Committee may grant options pursuant to the Scheme, when added to the number of 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 total number of issued shares 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 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.

(In Singapore dollars)

31. *Employee Benefits (cont'd)*

(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 its subsidiary companies who are controlling shareholders of the Company (as defined in the Listing Manual of the SGX-ST).

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 its subsidiary companies, 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 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 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 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 (as defined in the Listing Manual of SGX-ST) 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.

(In Singapore dollars)

31. Employee Benefits (cont'd)

(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 companies; 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 (as defined below) 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 shares of the Company 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.

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

	No. of options 2006	Weighted average exercise price per share as at 31.3.2006	No. of options 2005	Weighted average exercise price per share as at 31.3.2005
At beginning of financial year	2,661,000	$0.39	2,846,000	$0.39
Exercised	–	$0.30	(25,000)	$0.30
Lapsed/Cancelled	(550,000)	$0.37	(160,000)	$0.35
At end of financial year	2,111,000	$0.40	2,661,000	$0.39

These options have not been recognised in accordance with FRS 102 as these options were either granted before 22 November 2002 or have vested before 1 April 2005.

The share price at the date of exercise for the options exercised in 2005 was $0.39.

(In Singapore dollars)

31. *Employee Benefits (cont'd)*

The following table summarises information about options outstanding and exercisable as at 31 March 2006 to subscribe for ordinary shares in the Company :

Date of grant	No. of options outstanding	Exercise price per share	Exercise period From	Exercise period To	No. of options exercisable
16.10.2000	546,000	$0.30	17.10.2002	15.10.2010	546,000
31.07.2003	440,000	$0.43	01.08.2004	30.07.2008	440,000
31.07.2003	1,125,000	$0.43	01.08.2004	30.07.2013	1,125,000
	2,111,000				2,111,000

No options were granted by the Company during the financial year.

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

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.

The exercise price of options granted under the Subsea Scheme was based on the par value of the share which is $1 per share, with an annual escalation clause.

The abolishment of the concept of "par value" pursuant to the Singapore Companies (Amendment) Act 2005 will not affect the terms of options granted under the Subsea Scheme.

	No. of options 2006	Weighted average exercise price per share as at 31.3.2006	No. of options 2005	Weighted average exercise price per share as at 31.3.2005
At beginning of financial year	119,740	$1.20	413,620	$1.20
Cancelled	(74,740)	$1.20	(293,880)	$1.20
At end of financial year	45,000	$1.20	119,740	$1.20

(In Singapore dollars)

31. Employee Benefits (cont'd)

The following table summarises information about options outstanding and exercisable as at 31 March 2006 to subscribe for ordinary shares in the subsidiary company :

Date of grant	No. of options outstanding	Exercise price per share	Exercise period From	Exercise period To	No. of options exercisable
21.06.2000	45,000	$1.20	21.06.2000	21.06.2010	45,000

32. Related Party Transactions

An entity or individual is considered a related party of the Group for the purposes of the financial statements if:

i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or

ii) it is subject to common control or common significant influence.

(a) Sale and purchase of goods and services

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place during the year on terms agreed between the parties :

Related parties	Rendering of services		Others	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Subsidiary companies	3,193	2,805	1,410	3,645

(b) Compensation of key management personnel

Only 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.

Details of their remuneration have been disclosed in Note 5.

No options have been granted to the Directors of the Company and its subsidiary companies during the year.

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

(In Singapore dollars)

33. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank loans and overdrafts, loans from a minority shareholder of a subsidiary company, amounts due (to)/from subsidiary companies, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The Group also enters into forward exchange contracts to manage the currency risks arising from the Group's operations and its sources of financing.

It is the Group's policy not to trade in derivative contracts for profit.

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 on 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.

(In Singapore dollars)

33. *Financial Risk Management Objectives and Policies (cont'd)*

The following tables set out the carrying amounts, by maturity, of the Company's and the Group's financial instruments that are exposed to interest rate risk :

GROUP	Effective interest rate per annum	Total $'000	Within 1 year $'000	1-5 years $'000	More than 5 years $'000
2006					
Financial assets					
Fixed deposits	–	–	–	–	–
Cash at bank	1.69%-5.20%	2,437	2,437	–	–
Total financial assets		2,437	2,437	–	–
Financial liabilities					
Bank overdrafts					
- S$ facility – unsecured	6.00%	(700)	(700)	–	–
- A$ facility – secured	10.40%-13.30%	(1,985)	(1,985)	–	–
		(2,685)	(2,685)	–	–
Short term bank loans					
- S$ facility – secured	4.75%-5.34%	(1,200)	(1,200)	–	–
- US$ facility – unsecured	6.88%-8.25%	(582)	(582)	–	–
- A$ facility – secured	7.92%-8.05%	(1,348)	(1,348)	–	–
		(3,130)	(3,130)	–	–
Long term bank loans					
- S$ facility – secured	3.56%-5.55%	(756)	(200)	(556)	–
- A$ facility – secured	7.91%-8.03%	(6,002)	(842)	(3,370)	(1,790)
		(6,758)	(1,042)	(3,926)	(1,790)
Total financial liabilities		(12,573)	(6,857)	(3,926)	(1,790)
Net financial liabilities		(10,136)	(4,420)	(3,926)	(1,790)

(In Singapore dollars)

33. *Financial Risk Management Objectives and Policies (cont'd)*

Interest rate risk (cont'd)

GROUP	Effective interest rate per annum	Total $'000	Within 1 year $'000	1-5 years $'000	More than 5 years $'000
2005					
Financial assets					
Fixed deposits	0.25%-1.45%	2,435	2,435	–	–
Cash at bank	0.03%-5.20%	2,505	2,505	–	–
Total financial assets		4,940	4,940	–	–
Financial liabilities					
Bank overdrafts					
- S$ facility – unsecured	6.00%	(914)	(914)	–	–
- A$ facility – secured	8.50%-8.75%	(1,961)	(1,961)	–	–
		(2,875)	(2,875)	–	–
Short term bank loans					
- S$ facility – secured	2.64%-4.08%	(2,600)	(2,600)	–	–
- US$ facility – unsecured	6.50%-6.88%	(327)	(327)	–	–
- A$ facility – secured	7.71%-8.05%	(1,477)	(1,477)	–	–
		(4,404)	(4,404)	–	–
Long term bank loans					
- S$ facility – secured	2.88%-5.25%	(3,490)	(1,600)	(1,890)	–
- A$ facility – secured	7.71%-8.05%	(8,475)	(2,385)	(6,090)	–
		(11,965)	(3,985)	(7,980)	–
Total financial liabilities		(19,244)	(11,264)	(7,980)	–
Net financial liabilities		(14,304)	(6,324)	(7,980)	–

(In Singapore dollars)

33. Financial Risk Management Objectives and Policies (cont'd)

Interest rate risk (cont'd)

COMPANY	Effective interest rate per annum	Total $'000	Within 1 year $'000	1-5 years $'000	More than 5 years $'000
2006					
Financial liabilities					
Bank overdrafts					
- S$ facility - unsecured	6.00%	(700)	(700)	–	–
2005					
Financial assets					
Fixed deposits	0.38%-1.45%	400	400	–	–

Interest on financial instruments which are all subject to floating interest rates, is contractually repriced at interval of 6 months or less.

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, Japanese yen 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 investments in 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.

(In Singapore dollars)

33. *Financial Risk Management Objectives and Policies (cont'd)*

Credit risk

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

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

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

Fair values

The fair value of a financial instrument is the amount at which the instrument would be exchanged or settled between knowledgeable and willing parties on an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments carried at fair value

The Group has carried all investment securities that are classified as available-for-sale financial assets, and all derivative financial instruments, at their fair value as required by FRS 39.

Financial instruments whose carrying amount approximates fair value

The carrying amounts of cash and bank balances, current trade and other receivables and current trade and other payables, reasonably approximate their fair values because these are mostly short term in nature.

The fair values of long term bank borrowings, which are estimated by using current lending rates for similar instruments at the balance sheet date, approximate their carrying values as the current lending rates did not deviate significantly from the Group's borrowing rates.

34. Comparative Figures

Following a reassessment of the nature and classification of the comparative figures, certain comparative figures have been reclassified to reflect the nature of these items more appropriately.

	Group	
	Restated 2005 $'000	2005 $'000
Trade receivables	10,544	10,878
Sundry receivables	71	1,002
Trade payables	(4,821)	(5,335)
Sundry payables	(599)	(3,011)
Sundry accruals	(1,661)	–

35. Authorisation for Issue of Financial Statements

The financial statements of MTQ Corporation Limited and its subsidiary companies for the financial year ended 31 March 2006 were authorised for issue in accordance with a resolution of the Directors on 19 June 2006.

STATISTICS OF SHAREHOLDINGS

As at 12 June 2006

Issued and Fully Paid-up Capital	:	S$28,126,000
No. of Shares Issued	:	95,445,000 ordinary shares
Voting Rights	:	one vote per share

Size of Shareholdings	**No. of Shareholders**	**%**	**No. of Shares**	**%**
1 - 999	9	0.85	3,932	0.00
1,000 - 10,000	799	75.09	3,948,924	4.14
10,001 - 1,000,000	243	22.84	14,380,492	15.07
1,000,001 & above	13	1.22	77,111,652	80.79
Total	1,064	100.00	95,445,000	100.00

Top Twenty Shareholders	**No. of Shares**	**%**
HSBC (Singapore) Nominees Pte Ltd	20,734,000	21.72
Kurt R M Lindblad	17,887,652	18.74
UOB Kay Hian Pte Ltd	11,471,000	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	2,478,000	2.60
Citibank Nominees Singapore Pte Ltd	2,426,000	2.54
United Overseas Bank Nominees Pte Ltd	2,158,000	2.26
Mayban Nominees (S) Pte Ltd	1,800,000	1.89
Francis James Reidy	1,375,000	1.44
OCBC Securities Private Ltd	1,310,000	1.37
Tan Kah Boh Robert	1,062,000	1.11
OCBC Nominees Singapore Pte Ltd	1,010,000	1.06
HL Bank Nominees (S) Pte Ltd	1,000,000	1.05
Keppel Investment Ltd	850,000	0.89
Kuah Kok Kim	770,000	0.81
Lock Hong Cheong	522,492	0.55
Wong Peng Onn	481,000	0.50
David Robertson Moody	456,000	0.48
Lim Chye Huat @ Bobby Lim Chye Huat	429,000	0.45
Total	81,620,144	85.52

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Kuah Kok Kim	770,000	0.81	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

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

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

As at 12 June 2006, 42.28% 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 OF ANNUAL GENERAL MEETING

MTQ CORPORATION LIMITED

(Company Registration No. 196900057Z)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the 37th Annual General Meeting of MTQ Corporation Limited ("the Company") will be held at Amara Singapore Hotel, Connection 3 & 4, Level 3, 165 Tanjong Pagar Road, Singapore 088539, on Friday, 21 July 2006 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 March 2006 together with the Auditors' Report thereon.

(Resolution 1)

2. To declare a final dividend of $0.015 per ordinary share less tax for the year ended 31 March 2006 (2005: $0.015 per ordinary share less tax).

(Resolution 2)

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

Mr Kuah Kok Kim **(Resolution 3)**
Mr Ong Choo Eng **(Resolution 4)**

Mr Ong will, upon re-election as Director of the Company, remain a member of the Audit and Remuneration Committee and will be considered non-independent.

4. To re-appoint Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration.

(Resolution 5)

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

6. To approve the payment of Directors' fees of S$165,000 (2006 : S$165,000) for the year ending 31 March 2007, to be paid quarterly in arrears. [See Explanatory Note (i)]

(Resolution 6)

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

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

7. **Authority to allot and issue shares up to 50 per centum (50%) of issued shares in the capital of the Company**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares in 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 shares in the capital of the Company at the time of the 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 shares in the 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)

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 Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the 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 shares in the 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,

Date: 04 July 2006

Explanatory Notes:

(i) The Ordinary Resolution 6 proposed in item 6, if passed, will authorise the Directors of the Company to pay Directors' fees for the year ending 31 March 2007 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 this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, 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 shares in the capital of the Company at the time of the passing of 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 shares in the capital of the Company.

For the purpose of this resolution, the percentage of issued shares is based on the issued shares in the capital of the Company at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this 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 this Meeting until the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued ordinary shares in the capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. A Member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 182 Pandan Loop, Singapore 128373 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy MTQ Corporation Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

MTQ CORPORATION LIMITED

(Company Registration No. 196900057Z)

(Incorporated in the Republic of Singapore)

I/We, ______________________________

of ______________________________

being a member/members of MTQ Corporation Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to the above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Amara Singapore Hotel, Connection 3 & 4, Level 3, 165 Tanjong Pagar Road, Singapore 088539, on Friday, 21 July 2006 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 March 2006		
2	Payment of proposed final dividend		
3	Re-election of Mr. Kuah Kok Kim as a Director		
4	Re-election of Mr. Ong Choo Eng as a Director		
5	Approval of Directors' fees amounting to S$165,000		
6	Re-appointment of Messrs Ernst & Young as Auditors		
7	Authority to allot and issue new shares		
8	Authority to allot and issue shares under The MTQ Corporation Executives' Share Option Scheme 2003		

Dated this______________day of____________2006

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

____

Signature of Shareholder(s) or,
Common Seal of Corporate Shareholder

Fold along this line and glue overleaf

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, Chapter 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 in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, 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. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. 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 Meeting.

6. 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. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. 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, Chapter 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.

Fold along this line and glue overleaf

Affix
Postage
Stamp

The Company Secretary

MTQ CORPORATION LIMITED

182 Pandan Loop
Singapore 128373

Fold along this line and glue overleaf

SURVEY FORM

MTQ CORPORATION LIMITED

(Company Registration No. 196900057Z)
(Incorporated in the Republic of Singapore)

We hope you have enjoyed reading our Annual Report 2005/2006. 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

Ranking: 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Stongly 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 pratices.					

	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	1	2	3	4	5
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:					

Fold along this line and glue overleaf

Affix
Postage
Stamp

The Company Secretary
MTQ CORPORATION LIMITED
182 Pandan Loop
Singapore 128373

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MTQ CORPORATION LIMITED
182 Pandang Loop Singapore 128373
Tel: (65) 6777 7651
Fax: (65) 6777 6433
Website: www.mtq.com.sg