



**MTQ**

**MTQ Corporation Limited**

Co. REG No. 196900057Z



Generating **Growth**

ANNUAL REPORT 2006/2007



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## 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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THE GROUP SUCCESSFULLY GREW ITS TURNOVER BY 24% TO S\$67.92 MILLION. EXCLUDING THE SHARE OF ASSOCIATE RESULTS AND TAXATION, OPERATING PROFIT LEAPED BY 679% FROM S\$0.82 MILLION IN FY2006 TO S\$6.36 MILLION IN FY2007.

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I would like to start by thanking all our Directors and staff members for their dedicated services in the year under review. The progress we have achieved during this period was also largely due to the unwavering support of our customers, business partners and shareholders.

For the financial year ended 31 March 2007, the Group successfully grew its turnover by 24% to S\$67.92 million. Excluding the share of associate results and taxation, operating profit leaped by 679% from S\$0.82 million in FY2006 to S\$6.36 million in FY2007. I am pleased to report that this improvement came principally from significantly better performances from both our operating divisions.

### **Oilfield Engineering Division**

Market conditions continue to be buoyant and demand remains high for our division's services. Measures implemented to enhance our efficiency, including upgrading the functionalities of our equipment as well as human resources development have effectively cushioned the hike in operating costs such as wages and utilities. We see an upward demand for our services in the current financial year. To meet the anticipated increase in customer requirements, additional expansion plans have been set in motion, which will bring the division's performance to a higher level in the near future.

### **Engine Systems Division**

Efforts to turnaround the division have largely been successful with the division achieving a significantly improved set of results. The division will continue to benefit from ongoing cost management initiatives in the new financial year. Meanwhile, our operations in Indonesia has performed below initial expectations. Notwithstanding this, we intend to persevere as the market is undoubtedly huge.

### **Investments**

Our interest in RCR Tomlinson Limited stands at 16%, consisting of 18,910,806 shares. The carrying amount of the investment stands at S\$36.04 million as at 31 March 2007. Significant unrealized gains of S\$17.53 million have been adjusted through our reserves since the last financial year, in accordance with Financial Reporting Standards 39 – Financial Instruments. Given the size of the investment and the significant price appreciation above its original cost, the Board will closely monitor and review its plans in respect of the investment.

### **Share Buyback**

The Company conducted a share buyback programme in September 2006, pursuant to the share buyback mandate approved by shareholders at the Extraordinary General Meeting held on 21 July 2006. To-date, the Company has acquired 4 million shares which are held by the Company as treasury shares. This represents approximately 4% of its total issued shares.

### **JTC Lease**

We are pleased to inform shareholders that the Company has accepted JTC's conditional offer for the renewal of the lease of its existing premises situated at 182 Pandan Loop Singapore 128373 for a further term of 27 years from 16 September 2009. Based on an independent valuation conducted, the property situated thereat commands a fair market value of S\$3.95 million as at 25 October 2006. The valuation surplus, in excess of its net book value, has not been reflected in the financial statements.

### **Prospects**

We will strive to further strengthen the performance of the two operating divisions. The Group is also exploring the possibility of replicating these core businesses in new geographical regions.

### **Dividends**

The Board has undertaken an in-depth assessment of its available S44A tax credit balances as well as options available to utilize these to benefit shareholders before they expire on 31 December 2007. In deciding how best and whether to utilize these tax credits, the Board took into consideration of all relevant factors, including a detailed analysis of our shareholders profile, and concluded that only a small group of the shareholders are likely to benefit from the return of the tax credits. Due to the Company's available distributable reserves and the Group's cash flow position, to fund any higher dividend payout, the Company will have to concurrently undertake a re-capitalisation exercise. The Board is of the view that the high costs associated with any re-capitalisation exercise is likely to outweigh any return that the limited number of shareholders may actually reap and as such, may not be in the long term interests of the Group and its entire shareholder population. Notwithstanding this, we will continue to explore available options to pass on such credits to our shareholders, where possible, without incurring excessive costs.

The Board remains committed to maintaining a consistent dividend policy. Accordingly, in addition to the gross interim dividend of 1.0 cent per share paid on 30 November 2006, the Board is recommending to maintain a gross final dividend of 1.5 cents per share for the financial year ended 31 March 2007, subject to shareholders' approval being obtained at this forthcoming Annual General Meeting.

### **Kuah Kok Kim**

*Chairman & CEO*

4 June 2007

**BOARD OF DIRECTORS**



From L to R: ONG CHOO ENG , KUAH KOK KIM, HUANG YUAN CHIANG , KUAH BOON WEE , IAN WAYNE SPENCE

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## **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 21 July 2006. 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.

## **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 Chairman of the Remuneration Committee, and a member of the Audit Committee. 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 specialisation were in the areas of mergers and acquisitions and equity capital markets.

Apart from the company, Mr. Huang sits on the boards of other listed companies in Singapore and Malaysia, including BBR Holdings (S) Limited (as Chairman of the board), Broadway International Group Limited, Kuchai Development Bhd, Sungei Bagan Rubber Company (Malaysia) Bhd and Kluang Rubber Company (Malaysia) Bhd.

Mr. Huang has degrees in Economics and Law.

## **KUAH BOON WEE**

Director

Mr. Kuah joined the Board as a Director on 10 October 2006. A UK qualified chartered accountant by training and currently the CEO, Southeast Asia & Singapore Terminals of PSA International Pte Ltd, Mr. Kuah brings with him broad and varied experiences relating to financial markets and MNCs. He has worked in senior management positions in Hong Kong, Singapore and Australia. Prior to joining PSA, Mr. Kuah was the CFO for Singapore Technologies Engineering Limited, a company listed in Singapore.

## **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 21 July 2006. 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 board of Singapore Reinsurance Corporation 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.

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

**KUAH KOK KIM** | Chairman & CEO

### Corporate Office

**WILLIAM FONG** | 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 18 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).

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**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 23 years in MTQ, he has 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.

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**LAI CHEE KEONG** | Senior Engineering Manager

**TEO CHOON KIAN** | Senior Sales Manager

### Engine Systems Division

**LES HEALEY** | Managing Director

Mr. Healey was appointed as Managing Director of MTQ Engine Systems (Aust) Pty Ltd in September 2004. Mr. Healey brought with him vast experience in the Caterpillar dealer network and was General Manager of Komatsu Western Region at a time where significant gains in market share were achieved. More recently, Mr. Healey was General Manager of a Repco 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.

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**NG GAK SAN** | Director (Indonesia)

**Optimising People, Engineering Growth**

Having a highly competent and motivated workforce remains one of the key business growth strategies of MTQ. To meet the evolving requirements of the industries in which we operate, it is essential for our people to possess the right knowledge, skill sets and competencies.

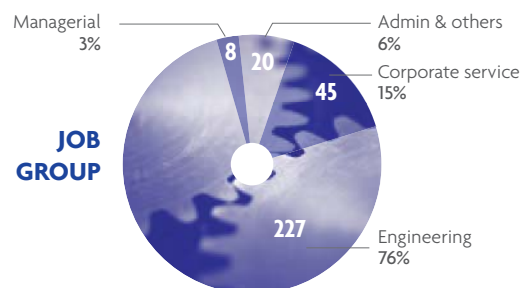
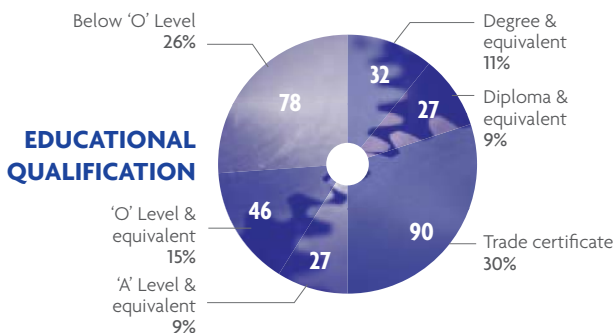
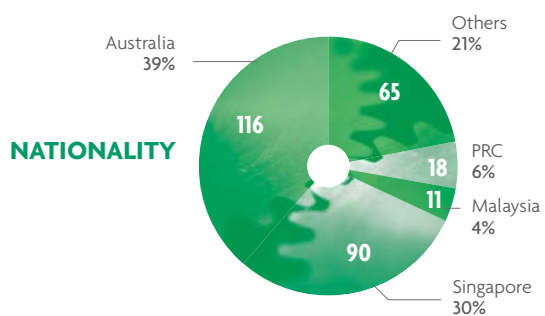
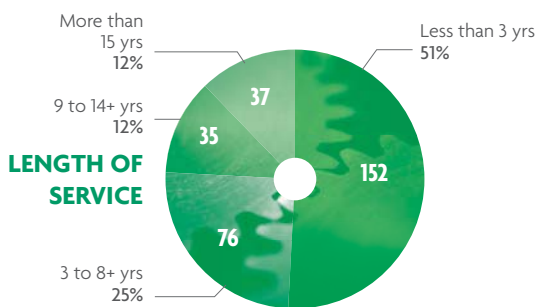
We are committed to nurturing and growing a talented core team that will help the Group achieve its corporate objectives and scale new heights. Recognising that this goes beyond monetary rewards, we aim to constantly provide our talent pool with job satisfaction through job enlargements, challenging project assignments, leadership and career development opportunities.

As a People Developer certified company since October 2005, MTQ places great emphasis on employees' training needs. Every employee in MTQ is given a personalized training roadmap aligned to the corporate and individual learning needs. This is evaluated and updated on an annual basis. Our staff receives well-rounded training in both technical as well as soft-skill programmes.

During the financial year, MTQ embarked on the Occupational Health and Safety Assessment Series OHSAS 18001: 1999. Through the implementation of a management system that controls its occupational health and safety risks in an efficient manner, the Company seeks to improve its health and safety standards and values. The management also worked closely with the union in rolling out several safety initiatives and programmes aimed at raising safety awareness and reducing accident rate, production interruptions or downtime and associated costs.

MTQ believes in work-life balance. We promote employee well-being and family values by organising regular workplace health and recreational activities for the staff.

Given the dynamics of the labour market today, we are glad to report that MTQ's investment in its human capital has paid off well as staff turnover rate remained consistently lower than the industry and national average. Going forward, we will continue to retain our talent pool so as to give MTQ the competitive edge in customer service and create value for our shareholders.



## CORPORATE INFORMATION

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### Board Of Directors

**KUAH KOK KIM**  
Chairman & CEO

**HUANG YUAN CHIANG**  
Director

**KUAH BOON WEE**  
Director

**ONG CHOO ENG**  
Director

**IAN WAYNE SPENCE**  
Director

### Audit Committee

**IAN WAYNE SPENCE**  
Chairman

**HUANG YUAN CHIANG**  
**ONG CHOO ENG**

### Remuneration Committee

**HUANG YUAN CHIANG**  
Chairman

**IAN WAYNE SPENCE**  
**ONG CHOO ENG**

### Joint Company Secretaries

**FONG CHOON SENG**  
**LOW GEOK ENG SUSIE**

### Registered Office

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

### Auditor

**Ernst & Young**  
Certified Public Accountants  
Singapore

One Raffles Quay  
North Tower Level 18  
Singapore 048583

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 : (65) 6323 6200  
Facsimile : (65) 6323 6990  
Email : [bacs@pacific.net.sg](mailto:bacs@pacific.net.sg)

### Principal Bankers

**Oversea-Chinese Banking Corporation Limited**  
**United Overseas Bank Limited**



**Directory Of Principal Offices**

MTQ CORPORATION LIMITED	MTQ ENGINEERING PTE LTD MTQ FABRICATION PTE. LTD. MTQ EQUIPMENT RENTAL PTE. LTD.	MTQ ENGINE SYSTEMS (AUST) PTY LTD	PT MTQ ENGINE SYSTEMS INDONESIA
182 Pandan Loop Singapore 128373  Tel: (65) 6777 7651 Fax: (65) 6777 6433 Website: www.mtq.com.sg  Contact: <b>Kuah Kok Kim</b> Chairman & CEO  <b>William Fong</b> Group Financial Controller  Email: kkkuah@mtq.com.sg williamfong@mtq.com.sg	182 Pandan Loop Singapore 128373  Tel: (65) 6777 7651 / (65) 6774 9395 Fax: (65) 6779 4092 Website: www.mtq.com.sg  Contact: <b>Peter Lock</b> Managing Director  Email: peterlock@mtq.com.sg	32 Raynham Street, Salisbury, Qld 4107, Australia  Tel: (61) 7 3246 2000 Fax: (61) 7 3423 8200 Website: www.mtqes.com.au  Contact: <b>Les Healey</b> Managing Director  Email: les.healey@mtqes.com.au	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 Website: www.mtq.co.id  Contact: <b>Ng Gak San</b> Director  Email: gaksan@mtq.co.id

## FINANCIAL & CORPORATE CALENDAR

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21 Jul 2006	37th Annual General Meeting and Extraordinary General Meeting
21 Jul 2006	Resignation of Mr. Philip Eng Heng Nee as Director of MTQ Corporation Limited
14 Aug 2006	Expansion into oilfield fabrication business by Metalock Engineering Pte Ltd under its new name, MTQ Fabrication Pte. Ltd.
15 Aug 2006	Payment of final dividend of 1.5 cents less tax in respect of FY2006
07 Sep 2006	Conditional offer received from JTC Corporation for renewal of lease at MTQ's existing premise in Pandan Loop, Singapore. MTQ accepted the offer on 31 October 2006.
08-26 Sep 2006	Share buyback of 4 million shares through on-market purchases. These shares are held as treasury shares.
10 Oct 2006	Appointment of Mr. Kuah Boon Wee as non-executive, non-independent Director of MTQ Corporation Limited
31 Oct 2006	Announcement of half year FY2007 results
30 Nov 2006	Payment of interim dividend of 1.0 cent less tax in respect of FY2007
04 May 2007	Announcement of full year FY2007 results
06 Jul 2007	Release of Annual Report 2006/2007 to shareholders

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## FINANCIAL HIGHLIGHTS

		1H S\$'000	2H S\$'000	Total S\$'000
Revenue	2007	32,417	35,499	67,916
	2006	27,748	26,829	54,577
Profit before taxation	2007	3,424	2,935	6,359
	2006	957	3,009	3,966
Profit after taxation	2007	2,378	2,327	4,705
	2006	670	3,534	4,204
Profit attributable to shareholders	2007	2,373	2,346	4,719
	2006	699	3,413	4,112
Earnings per share (in cents)	2007	2.49	2.57	5.06
	2006	0.73	3.58	4.31

	2007	2006
<b>For the Year (in S\$'000)</b>		
Revenue	67,916	54,577
EBITDA	10,428	8,807
Profit before tax	6,359	3,966
Profit after tax	4,705	4,204
Profit attributable to shareholders	4,719	4,112
<b>At Year End (in S\$'000)</b>		
Net current assets	8,354	7,032
Total assets	90,111	79,223
Total liabilities	33,788	27,612
Net debt <sup>1</sup>	14,739	8,923
Shareholders' funds	56,981	52,253
Net tangible assets <sup>2</sup>	50,165	45,710
<b>Financial Ratios</b>		
Net profit margin (%)	9.36	7.27
Return on shareholders' funds (%) <sup>3</sup>	11.16	7.59
Interest cover (EBITDA/net interest expense <sup>4</sup> )	9.28x	8.38x
Net debt gearing ratio (%) <sup>5</sup>	20.74	14.74
<b>Per Share Data</b>		
Basic earnings (in cents) <sup>6</sup>	5.06	4.31
Net tangible assets (in cents) <sup>7</sup>	54.84	47.89
Gross dividend (in cents)	2.50	2.50
Gross dividend yield (%) <sup>8</sup>	6.41	7.69
Price at year end (in cents)	39.00	32.50

<sup>1</sup> Net debt is defined as gross debt less cash and bank balances.

<sup>2</sup> Net tangible assets is defined as shareholders' funds less intangible assets.

<sup>3</sup> Return on shareholders' funds is defined as profit before tax divided by shareholders' funds.

<sup>4</sup> Net interest expense refers to interest expense less interest income.

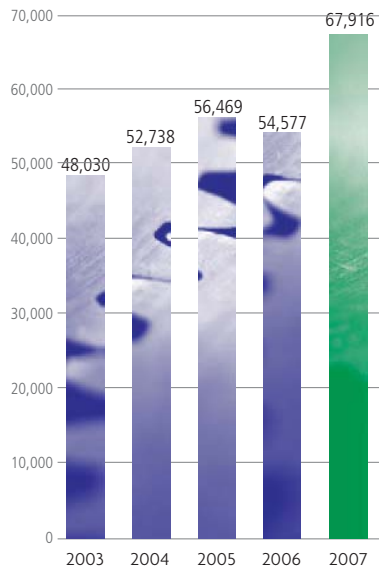
<sup>5</sup> Net debt gearing is defined as the ratio of net debt to net capitalisation. Net capitalisation is the aggregate of net debt and shareholders' funds less minority interests.

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

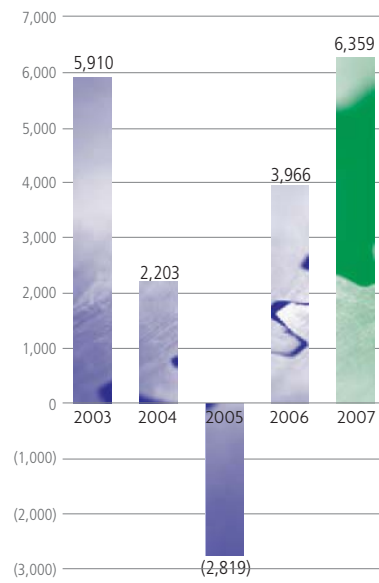
<sup>7</sup> Net tangible assets per share is defined as net tangible assets divided by total number of issued shares (excluding treasury shares).

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

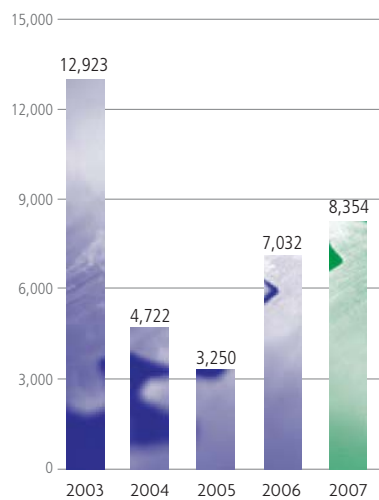
REVENUE (S\$'000)



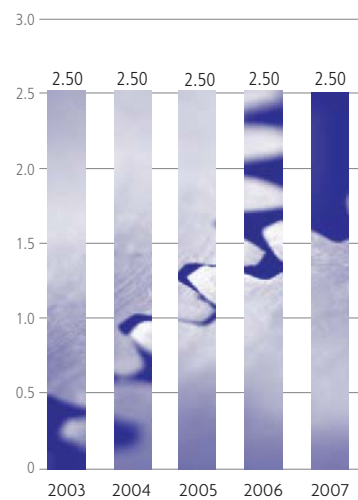
PROFIT/(LOSS) BEFORE TAX (S\$'000)



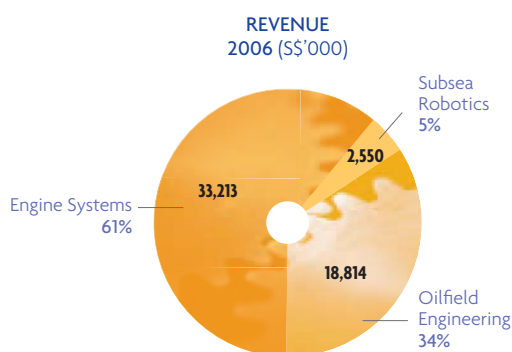
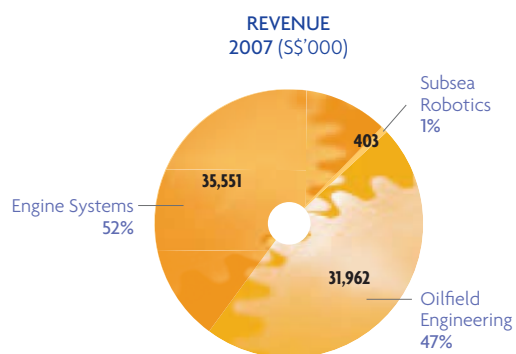
NET CURRENT ASSETS (S\$'000)



GROSS DIVIDEND PER SHARE (CENTS)



## FINANCIAL REVIEW



### Revenue

For the financial year ended 31 March 2007, the Group successfully grew its revenue from S\$54.58 million in FY2006 to a new high of S\$67.92 million. The 24% leap in revenue was the result of improved performance achieved across both its Oilfield Engineering and Engine Systems divisions. The revenue increase was, however, moderated by the absence of contribution from the Subsea Robotics division following the discontinuance of its operations in FY2006.

### Profit

Excluding the share of associate profit of S\$3.15 million, the Group's profit from operations rose 679% from S\$0.82 million in FY2006 to S\$6.36 million in FY2007, significantly more than the growth in revenue.

Supported by the favourable climate in the oil and gas sector, the Oilfield Engineering division achieved creditable earnings growth during FY2007 as robust demand for its repair services, expansion of its service range, and improved work efficiencies provided leverage for both higher turnover as well as job margins.

Tapping on the synergies of the integrated branch network to provide effective cross-selling of its products and services, performance of Engine Systems division also improved in tandem with higher revenue contributions from both its turbocharger and fuel injection segments. Increasing competitive pressures, however, exerted a negative influence on its margins.

Lower operating expenses, arising from the cessation of the operations of Subsea Robotics division, significantly lower depreciation charges as well as positive exchange movements also helped strengthened the Group's net profit.

The Group recorded higher taxation during the year in line with the higher profits registered in its operating units.

### Earnings Per Share

Supported by the improved profitability from its core operations, the Group's earnings per share had risen from 4.31 cents in FY2006 to 5.06 cents in FY2007.

### Balance Sheet

Total assets increased 14% mainly due to the purchase of plant and equipment by the Oilfield Engineering division as well as positive fair value adjustments, net of tax, in relation to the Group's quoted investment in RCR Tomlinson Ltd ("RCR"). The increase was also contributed by the higher inventories and trade receivables which were required to support the higher level of sales activities.

Total liabilities increased 22% as new borrowings were obtained by the Oilfield Engineering division to finance the acquisition of plant and equipment, offset by loan repayments during the year. The Australian-dollar bank borrowings were also translated at higher exchange rate following the strengthening of the Australian dollar.

Shareholders' funds stood at S\$56.98 million as at 31 March 2007, 9% above the S\$52.25 million level as at 31 March 2006.

## Dividends

The Board of Directors are recommending a final dividend of 1.5 cents less tax at 18% to be paid for FY2007. Subject to shareholders' approval being obtained at the forthcoming AGM, the total dividend for FY2007, including the interim dividend of 1.0 cent less tax of 20% paid on 30 November 2006, amounts to 2.5 cents per share – the same level as that paid for FY2006.

The MTQ Corporation Limited Scrip Dividend Scheme will apply to the proposed final dividend.

## Cash Flows

As of 31 March 2007, the Group's cash and cash equivalents stood at S\$2.68 million, 9% lower than FY2006.

Net cash generated from operating activities during FY2007 was S\$2.00 million, 27% lower than that of FY2006. The decrease in operating cash flows arose mainly due to unfavourable working capital movements as explained above. Before reinvestment in working capital, improved operating performances in both Oilfield Engineering and Engine Systems divisions contributed significantly higher cash flows of S\$9.11 million in FY2007 compared to S\$2.89 million generated in FY2006.

Investing activities incurred a net cash outflow of S\$4.00 million during FY2007 as further capital investments were made to upgrade the plant and equipment of the Oilfield Engineering division. This was offset by higher dividends received from RCR. Net cash of S\$3.18 million was provided by investing activities in FY2006, which included proceeds of S\$8.39 million received from the disposition of discontinued operations.

Net cash provided by financing activities in FY2007 was S\$1.68 million, as opposed to S\$8.54 million utilized in FY2006. The cash flows were generated mainly from fresh bank borrowing proceeds, net of repayment, offset by dividend payment and S\$1.60 million cash used in the share buyback exercise.

## Financial Resources and Capital Structure

The Group maintains a healthy capital structure with appropriate leverage sufficient (but not excessive) for business needs. Its investments and operations are funded through a combination of shareholders' fund and bank borrowings. As at 31 March 2007, the Group's total bank borrowings stood at S\$17.68 million, which represented 31% of shareholders' funds (31 March 2006: 24%).

The net debt gearing of the Group increased from 15% in FY2006 to 21% in FY2007 as net debt grew from S\$8.92 million as at 31 March 2006 to S\$14.74 million as at 31 March 2007. Interest cover was 9.28 times in FY2007 (FY2006: 8.38 times).

As part of its capital management efforts, a share buyback programme was conducted in September 2006 which saw the Company acquiring 4 million shares, representing approximately 4% of its total issued shares, through on-market purchases. These shares are held by the Company as treasury shares.

### Summarised Cash Flow

	2007 S\$'000	2006 S\$'000
Net change in cash and cash equivalents arising from :		
Operating activities	2,001	2,750
Investing activities	(3,999)	3,178
Financing activities	1,681	(8,541)
	(317)	(2,613)
Cash and cash equivalents :		
At beginning	2,950	5,755
Effects of exchange	50	(192)
At end	2,683	2,950

## FIVE YEARS FINANCIAL PROFILE

	2007	2006	2005	2004	2003
<b>For the Year (in S\$'000)</b>					
Revenue	67,916	54,577	56,469	52,738	48,030
EBITDA	10,428	8,807	7,465	6,430	9,399
Profit/(loss) before tax	6,359	3,966	(2,819)	2,203	5,910
Profit/(loss) after tax	4,705	4,204	(3,383)	1,327	5,150
Profit/(loss) attributable to shareholders	4,719	4,112	(1,964)	1,705	5,385
<b>At Year End (in S\$'000)</b>					
Net current assets	8,354	7,032	3,250	4,722	12,923
Total assets	90,111	79,223	64,816	66,405	60,675
Total liabilities	33,788	27,612	31,043	33,437	28,415
Net debt <sup>1</sup>	14,739	8,923	13,489	14,024	5,641
Shareholders' funds	56,981	52,253	34,565	32,277	31,290
Net tangible assets <sup>2</sup>	50,165	45,710	27,397	24,819	29,127
<b>Financial Ratios</b>					
Net profit/(loss) margin (%)	9.36	7.27	(4.99)	4.18	12.30
Return on shareholders' funds (%) <sup>3</sup>	11.16	7.59	(8.16)	6.83	18.89
Interest cover (EBITDA/net interest expense <sup>4</sup> )	9.28x	8.38x	5.80x	5.90x	16.78x
Net debt gearing ratio (%) <sup>5</sup>	20.74	14.74	28.54	29.84	14.88
<b>Per Share Data</b>					
Basic earnings (in cents) <sup>6</sup>	5.06	4.31	(2.07)	2.15	6.80
Net tangible assets (in cents) <sup>7</sup>	54.84	47.89	28.70	31.20	36.78
Gross dividend (in cents)	2.50	2.50	2.50	2.50	2.50
Gross dividend yield (%) <sup>8</sup>	6.41	7.69	6.94	5.81	6.41
Price at year end (in cents)	39.00	32.50	36.00	43.00	39.00

<sup>1</sup> Net debt is defined as gross debt less cash and bank balances.

<sup>2</sup> Net tangible assets is defined as shareholders' funds less intangible assets.

<sup>3</sup> Return on shareholders' funds is defined as profit before taxation divided by shareholders' funds.

<sup>4</sup> Net interest expense refers to interest expense less interest income.

<sup>5</sup> Net debt gearing is defined as the ratio of net debt to net capitalisation. Net capitalisation is the aggregate of net debt and shareholders' funds less minority interests.

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

<sup>7</sup> Net tangible assets per share is defined as net tangible assets divided by total number of issued shares (excluding treasury shares).

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

## GROUP VALUE ADDED STATEMENT

	2007 S\$'000	2006 S\$'000	2005 S\$'000	2004 S\$'000	2003 S\$'000
<b>Value Added</b>					
Revenue	67,916	54,577	56,469	52,738	48,030
Bought-in materials and services	(40,309)	(33,309)	(35,069)	(33,554)	(25,705)
<b>Gross Value Added</b>	<b>27,607</b>	<b>21,268</b>	<b>21,400</b>	<b>19,184</b>	<b>22,325</b>
Other income	179	2,835	503	450	772
Investment income	1,275	-	-	-	46
Gain/(loss) on exchange, net	130	(1,400)	223	1,600	691
Share of results of associated company	-	3,150	3,514	1,473	-
<b>Total Value Added</b>	<b>29,191</b>	<b>25,853</b>	<b>25,640</b>	<b>22,707</b>	<b>23,834</b>
<b>Distribution</b>					
To employees					
Wages, provident fund contributions and other benefits	18,709	16,878	15,964	15,425	14,585
	18,709	16,878	15,964	15,425	14,585
To providers of capital					
Interest on bank borrowings	1,197	1,138	1,369	1,149	633
Dividends to shareholders	1,877	1,909	1,909	1,549	2,162
	3,074	3,047	3,278	2,698	2,795
To government					
Income taxes and levies*	2,252	489	1,111	1,035	814
	2,252	489	1,111	1,035	814
Retained in the business					
Depreciation of property, plant and equipment	2,945	3,790	4,866	3,824	2,860
Provision for impairment of property, plant and equipment	-	-	5,164	-	-
Amortisation of goodwill on business acquisition	-	-	365	243	69
Interest on make good lease provision	7	-	-	-	-
Staff costs capitalised	(719)	(440)	(241)	(514)	(986)
Minority interests	(14)	92	(1,419)	(378)	(235)
Retained earnings*	1,437	3,603	(4,096)	(1,444)	2,486
	3,656	7,045	4,639	1,731	4,194
Non-production costs and income					
Bad debts written off	78	3	-	79	15
Goodwill written off	-	-	5	81	6
Loss on dilution of shareholding in associated company	-	-	54	-	-
(Gain)/loss on sale of property, plant and equipment	(48)	(103)	40	6	(16)
Gain on disposition of assets	-	(560)	-	-	-
Allowance for doubtful receivables	65	454	326	52	19
Gain/(loss) on exchange, net	130	(1,400)	223	1,600	691
Investment income	1,275	-	-	-	46
Provision for diminution in value of investment	-	-	-	-	685
	1,500	(1,606)	648	1,818	1,446
	29,191	25,853	25,640	22,707	23,834
<b>Productivity Analysis</b>					
Value added per employee (S\$'000)	97	80	85	81	86
Value added per dollar of employment costs (S\$)	1.48	1.26	1.34	1.24	1.53
Value added per dollar of investment in property, plant and equipment (S\$)	0.84	0.69	0.45	0.37	0.47
Value added per dollar sales (S\$)	0.41	0.39	0.38	0.36	0.46

\* Including those attributable to associated company



The Oilfield Engineering division staged a stellar performance in FY2007, as both operating revenues and EBITDA grew by more than 69% and 80% respectively.

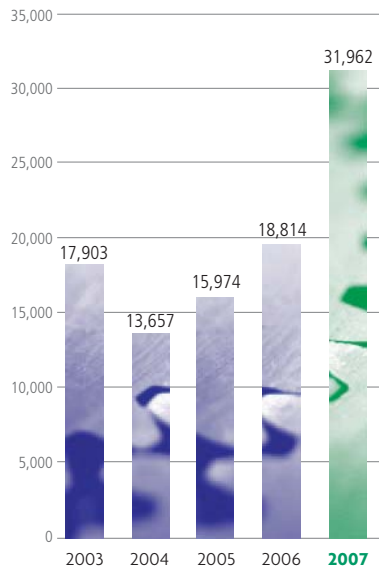
Sustained high oil prices and strong exploration and production spending has created positive spin-off effects across the oil and gas supply value chain, especially the supporting industries.

Apart from its traditional specialization in servicing wellhead equipment, the division has also leveraged on its established track record and strong clientele base to penetrate into other market segments within the oil and gas industry, including equipment leasing and component manufacturing.

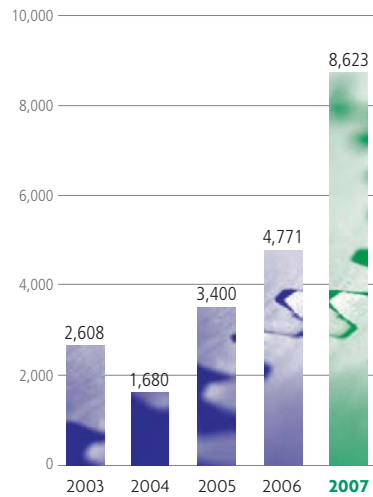
The division's commitment in upgrading the skill sets of its workforce and machining resources in recent years has provided an effective platform to achieve this expansion. While many service operators are experiencing a stretch in workshop utilisation, the expansion and upgrading of our production capacities, which commenced more than three years ago, has paid off well in allowing the division to cope with the increased work volumes and undertake a broader spectrum of service beyond the capabilities of its competitors.

The overall buoyant market conditions are, however, accompanied by increasing demands for faster turnaround and higher precision requirements by the customers. Competitive pressure is also building up with the influx of new players coming into the scene.

REVENUE (S\$'000)



EBITDA (S\$'000)



The strength and flexibility of the division in meeting the changing needs of its clients and delivering consistent quality will be pivotal in overcoming these challenges. To this end, further significant capital investments have been committed, in continuation of its equipment renewal and upgrading programme. Tighter discipline will also be instituted in its work procedures to ensure operating efficiencies in order to cushion the impact of higher operating costs.

Moving into the new financial year, the division will seek to provide stronger support to its long established customers, including renowned original equipment manufacturers and rig owners, and achieve further broad-based growth across all its operating segments. Particular attention will also be directed towards nurturing its new expansion into the fabrication of subsea production structures.

The division will also hasten its pace in extending its geographical reach and tapping into new major oil and gas markets which host vast opportunities for its services.



The Engine Systems division in Australia experienced an encouraging year in FY2007 with healthy growth in sales and significant improvements in its operating performance.

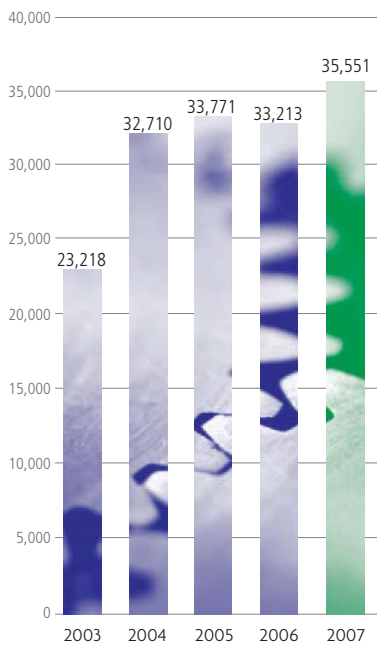
The financial year saw the continued consolidation of its turbocharger and fuel injection operations, which fetched direct expense savings as well as efficiency gains. With the successful integration of its fuel injection operations into several key turbocharger branches, the division was able to offer a broader product range to its customers at each location and further consolidated its position as a 'one-stop shop' in Australia.

The division has also continued to innovate and increase its product lines, to fend off intense competition during the year. Strong emphasis on MTQ-owned brands, "Sonic" and "DTS" has allowed MTQ to build further brand equity.

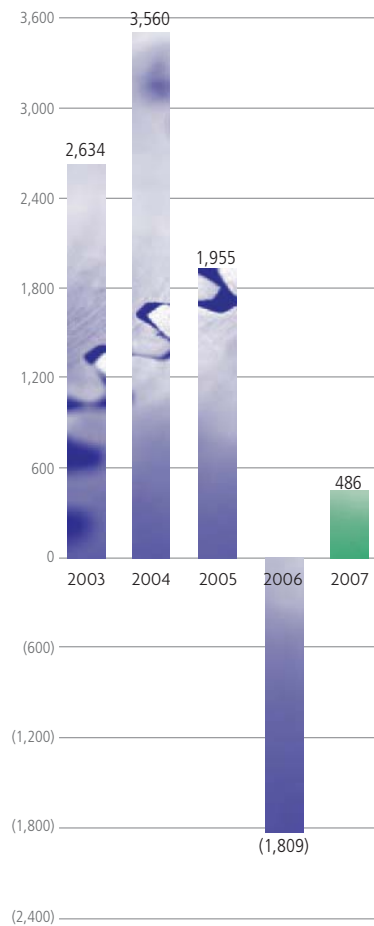
A major strategic gain was achieved during the year with MTQ's appointment as the Master Distributor for SIEMENS VDO for fuel injection in Australia and New Zealand, which includes responsibilities for establishing the service dealer network and the administration for all warranty.

Meanwhile, substantial efforts are being made to strengthen its relationship with existing clientele and principals. Along with a scheme of comprehensive sales initiatives, further improvements in the Australian operations are forecasted. While the anticipated downturn in the Australian agricultural industry, as a result of severe drought conditions, may exert adverse influence on its performance, continuing focus on developing and tapping new opportunities in the mining and transport industries are likely to offset some associated impacts.

REVENUE (S\$'000)



EBITDA (S\$'000)



The new financial year will see the business moving forward as a fully consolidated operation under the MTQ banner with centralized marketing plans and directions. With the strategic plans in placed, we believe that the outlook for the new financial year is good with appropriate returns.

In FY2007, the division's foray into Indonesia progressed further with the commencement of its fuel injection business in Surabaya to complement its turbocharger operations. While the unit has performed below initial expectations, the division remains confident that its ability to produce consistent quality standards beyond that of its competitors will put it in good stead to overcome such challenges in the coming year.

## RISK MANAGEMENT

Recognizing that effective risk management is fundamental to the achievement of its corporate objectives and the enhancement of shareholders' interests and value, MTQ has embarked on the implementation of a comprehensive risk management framework which seeks to provide a structured and common methodology to identify and manage potential risks that may affect the Group and which may result in material losses. In particular, it aims to provide the Audit Committee and in turn the Board, with the assurance that the significant business risks facing the Group have been identified and assessed, and that there are controls either in place or planned to monitor and mitigate these risks.

While a risk management team comprising key management executives is tasked to oversee and implement the risk management framework, MTQ believes that effective risk management is the responsibility of staff at all levels within the organization. The Board of Directors, supported by the Audit Committee, provides oversight of the entire risk management system across the Group, including an independent evaluation of the adequacy of the Group's risk management control and governance processes.

### Risk Processes and Activities

During the financial year, the risk management programme was rolled out to its Oilfield Engineering division, which involved the following processes:



The Oilfield Engineering division has since completed a strategic risk analysis and is progressing with process risk analysis. Upon completion, the programme will be extended to the Engine Systems Division.

As an essential element of the programme, the Group's internal audit plan is and will be developed based on results of the risk assessment and adopted risk responses, to test the effectiveness of and compliance with material internal controls, including financial, operational and compliance controls. Any non-compliance or failures in internal controls, as well as recommendations for improvements are reported to the Audit Committee.

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



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## **FINANCIAL REPORT**

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# CORPORATE GOVERNANCE REPORT

MTQ Corporation Limited is committed to maintaining a good standard of corporate governance, in compliance with the spirit and principles of the Code of Corporate Governance 2005 (the “Code”), to enhance its corporate performance and shareholders’ value. The Group subscribes fully to the principles and recommendations in the Code where they are applicable, relevant and practical to the Group.

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 : The Board’s Conduct of its Affairs

The Board of MTQ Corporation Limited assumes stewardship and control of the Group’s resources and undertakes overall responsibility for the corporate governance and performance of the Group. It provides entrepreneurial leadership, sets the vision and objectives of the Group and directs the Group’s strategic policies, while ensuring that the necessary financial and human resources are in place for the Group to meet its objectives. The Board also reviews the management and financial performance of the Group, oversees the establishment of a framework of prudent and effective controls which enables risk to be assessed and managed, sets the Group’s values and standards, and ensure that obligations to shareholders and others are understood and met.

These functions are carried out either directly by the Board or delegated to Board Committees, namely the Remuneration Committee and Audit Committee, each of which has its own written terms of reference. The responsibilities of each Committee are described under “Board Committees” below. 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 the Group’s 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 meets at least twice a year. 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.

To assist newly appointed Directors in discharging their duties, they are provided with an orientation on the background information about the Group’s history, business operations, its strategic directions and governance practices. Upon the appointment of each new Director, the Company will provide a formal letter to the Director which sets out the Director’s duties and obligations. 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.

All Directors must act with objectively in all their dealings with internal and external parties.

# CORPORATE GOVERNANCE REPORT

## **Principle 2 : Board Composition and Guidance**

The current Board comprises 5 directors, of which 4 are non-executive Directors. Of the 4 non-executive directors, 2 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.

While the Company's Articles do not provide a cap to the maximum number of Directors, having regard to the current scale of the Group's business, the Directors are of the view that it is not practical or effective to have more than the current 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 such as accounting and finance, industry knowledge, and strategic planning experience.

While the non-executive Directors exercise no management functions in the Group, they play an important role in ensuring that the strategies proposed by management are fully discussed and rigorously examined. They also review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

The Directors are also 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.

## **Principle 3 : Chairman and Chief Executive Officer**

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 responsibility is to lead the Board to ensure its effectiveness on all aspects of its role, set its agenda, control the quality, accuracy and timeliness of the flow of information to the Board, ensure effective communication with shareholders, encourage constructive relations between the Board and management, facilitate the effective contribution of the Directors, encourage constructive relations between the Directors and assist in compliance with the Company's guidelines on corporate governance.

In carrying out his executive duties as CEO, Mr. Kuah is responsible for the implementation of the Group's strategies and policies, and the conduct of the Group's operations and business, through the assistance of 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.

## **Principle 4 : Board Membership**

## **Principle 5 : Board Performance**

The Company does not have a Nominating Committee and the appointment of new directors is via nominations received, assessed and approved by the Board. In lieu of a Nominating Committee, 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 Group and its businesses. The Board is also responsible for the re-nomination of Directors, determining annually if a Director is independent, and deciding if a Director is able to and has been adequately carrying out his duties as a Director should he has multiple board representations.

# CORPORATE GOVERNANCE REPORT

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

<b>Director</b>	<b>Date of Initial Appointment</b>	<b>Date of Last Re-election</b>
Kuah Kok Kim	01.01.1997	21.07.2006
Huang Yuan Chiang <sup>1</sup>	08.08.2001	29.07.2005
Ong Choo Eng	09.09.1997	21.07.2006
Ian Wayne Spence	15.01.2002	29.07.2005
Kuah Boon Wee <sup>1</sup>	10.10.2006	-

<sup>1</sup> Mr. Huang Yuan Chiang and Mr. Kuah Boon Wee are due for re-election at the forthcoming Annual General Meeting.

Further details on the Directors such as academic and professional qualifications and other appointments, and shareholding in the Company and its subsidiaries, are provided in the “Board of Directors” and “Directors’ Report” sections 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.

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 Company believes that the contribution of each Director can be measured beyond attendance at formal meetings. A director would have been appointed or re-nominated 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.

## Remuneration Matters

### **Principle 7 : Procedures for Developing Remuneration Policies**

### **Principle 8 : Level and Mix of Remuneration**

### **Principle 9 : Disclosure on Remuneration**

#### *Remuneration Committee*

The Remuneration Committee comprises:

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

The Remuneration Committee consists of 3 non-executive Directors, 2 of whom are independent Directors and free from any business or other relationships with the Group.

## CORPORATE GOVERNANCE REPORT

The Remuneration Committee's role is to review and recommend to the Board for endorsement, an appropriate and competitive framework of remuneration for the Board and key executives of the Group including approving the annual increment. In setting remuneration packages, the employment and pay conditions within the industry and in comparable companies are taken into consideration. Where necessary, the Remuneration Committee may seek external expert advice in the field of executive compensation outside the Company when required.

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 have been approved by the independent shareholders in general meetings in separate resolution. 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. The non-executive Directors are paid directors' fees, the amount which is dependent on their level of responsibilities. Each non-executive Director is paid a basic fee. In addition, non-executive Directors who serve as members of the Audit Committee are paid an additional fee for such services in view of the heavier responsibilities. The Chairman of each Board Committee is also paid a higher fee compared with members of the Board Committee in view of the higher responsibility carried by that office.

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, including any early termination compensations clauses, 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 of Directors are set out below :

	<b>Fee</b>	<b>Salary/ Allowance</b>	<b>Bonus</b>	<b>Benefits</b>
<b>I. Above \$500,000</b>				
Kuah Kok Kim <sup>1</sup>	-	43%	56%	1%
<b>II. \$250,000 and below</b>				
Huang Yuan Chiang	100%			
Kuah Boon Wee <sup>1</sup>	100%			
Ong Choo Eng	100%			
Ian Wayne Spence	100%			
Philip Eng Heng Nee <sup>2</sup>	100%			

<sup>1</sup> Mr. Kuah Kok Kim, Chairman & CEO of the Company, is the father of Mr. Kuah Boon Wee.

<sup>2</sup> Mr. Philip Eng has resigned as a Director of the Company with effect from 21 July 2006.

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

## CORPORATE GOVERNANCE REPORT

Other than Mr. Kuah Kok Kim, no employees of the Company and its subsidiaries was an immediate family member of a Director or the Chief Executive Officer and whose remuneration exceeded \$150,000 during the financial year ended 31 March 2007. "Immediate family member" means the spouse, child, adopted step-child, step-child, brother, sister and parent.

### Accountability and Audit

#### Principle 6 : Access to information

#### Principle 10 : Accountability

In order to ensure that the Board is able to fulfil its responsibilities, management provides monthly management accounts, complete with 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. The Group believes that these meetings offer a complete overview of the operations and provide an effective platform for direct communication between the Board and the various line managers.

Board reports, including financial information, annual budget and quarterly forecasts, significant corporate issues and management proposals which require the approval of the Board, are circulated to all Directors prior to the Board meetings. In respect of budgets and forecasts, any material variances between the projections and actual results are also disclosed and explained. 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 that applicable rules and regulations are complied with. In particular, the Company 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. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its committees and between senior management and non-executive Directors, as well as facilitating orientation and assisting with professional development as required. The Company Secretary attends and administers all Board meetings and prepares the minutes of board proceedings. Under the Company's Articles of Association, the appointment and removal of the Company Secretaries have to be approved by the Directors.

#### Principle 11 : Audit Committee

#### Principle 12 : Internal Controls

#### Principle 13 : Internal Audit

##### *Audit Committee*

The Audit Committee comprises 3 non-executive Director members, 2 of whom are independent Directors :

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

The Audit Committee has been set up to perform the functions required pursuant to Section 201 B(5) of the Act, and the guidelines set out by SGX-ST. The Board is of the view that members of the Audit Committee have the requisite accounting and financial management expertise or experience to carry out their duties.

The Audit Committee meets regularly and plays a key role in assisting the Board to ensure that the financial reporting and internal accounting controls of the Group meet the highest standards.

## CORPORATE GOVERNANCE REPORT

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 on an annual basis, the independence and objectivity of the external auditors of the Group. In doing so, the Audit Committee has also taken into account the nature and extent of non-audit services provided by 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. In addition to the above, the Audit Committee reviews the half yearly financial statements of the Group before submitting them to the Board for its approval and the announcement of the financial results.

The Group has embarked on the implementation of a comprehensive risk management framework which seeks to provide a structured and common methodology to identify and manage potential risks that may affect the Group. Details of the Group's risk management policies and processes are provided under the "Risk Management" section of the Annual Report.

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 :

- with the adequacy and effectiveness of the Group's internal controls, including financial, operational and compliance controls and risk management policies and systems;
- with the adequacy and effectiveness of the internal audit function;
- that the internal audit function is adequately resourced, and has appropriate standing within the Company and the Group, and
- that the independence of the external auditor has not been compromised in relation to the non-audit services provided.

The Audit Committee has reviewed a recently established a whistle-blowing policy which provides a channel for employees of the Group to raise concerns about possible improprieties in matters of financial reporting or other matters and is satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

The Audit Committee has recommended to the Board the re-appointment of Ernst & Young as the external auditors of the Company for the financial year ending 31 March 2008.

### Communication with Shareholders

#### Principle 14 : Communication with Shareholders

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 financial year ended 31 March 2006. In arriving at the decision, the Company took into consideration cost factors, the associated benefits and whether these could be achieved through

## CORPORATE GOVERNANCE REPORT

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 ensures compliance with the reporting requirements under Listing Rules of the 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](http://www.mtq.com.sg) and investor portal, [www.shareinvestor.com](http://www.shareinvestor.com).

### Principle 15 : Greater Shareholder Participation

Shareholders are informed of shareholders' meetings through notices published in the 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 have been 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

The Company has adopted an internal code to provide guidance to its officers in regards trading in the Company's securities by Directors and officers. Directors and officers of the Company are advised against dealing in securities of the Company a month before the release of the half-year or full-year results, 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.

### Meeting Attendance Report

Name of Directors	Board of Directors		Audit Committee		Remuneration Committee	
	No. of meetings held	attended	No. of meetings held	attended	No. of meetings held	attended
<u>Executive</u>						
Kuah Kok Kim	2	2	2	2*	2	2*
<u>Non-executive</u>						
Huang Yuan Chiang (Independent)	2	2	2	2	2	2
Ian Wayne Spence (Independent)	2	2	2	2	2	2
Ong Choo Eng (Non-independent)	2	2	2	2	2	2
Kuah Boon Wee (Non-independent)	2	1	2	1*	2	1*
Philip Eng Heng Nee <sup>1</sup> (Independent)	2	1	2	1	2	1

<sup>1</sup> Mr. Philip Eng is no longer a member of the Board and its sub-committees following his resignation as a Director on 21 July 2006.

\* Attendance by invitation

# CORPORATE GOVERNANCE REPORT

## **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 2007.

### Directors

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

Kuah Kok Kim (Chairman & CEO)  
Huang Yuan Chiang  
Kuah Boon Wee  
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 "Act"), 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 :

	Direct interest			Deemed interest		
	At 1.4.2006/ date of appointment	At 31.3.2007	At 21.4.2007	At 1.4.2006/ date of appointment	At 31.3.2007	At 21.4.2007

#### The Company

(Ordinary shares)

Kuah Kok Kim	634,000	1,059,000	1,059,000	19,164,000	19,164,000	19,164,000
Kuah Boon Wee	404,000	404,000	404,000	–	–	–

(Options to subscribe for ordinary shares)

Huang Yuan Chiang	120,000	120,000	120,000	–	–	–
Ong Choo Eng	100,000	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 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.

## DIRECTORS' REPORT

### Options to acquire shares in the Company

- (a) The Group has in place the MTQ Corporation Executives' Share Option Scheme 2003 (the "Scheme") for granting of options that are settled by physical delivery of the ordinary shares of the Company, to eligible Directors and executives of the Company and its subsidiary companies. 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 :

Huang Yuan Chiang                      (Chairman)  
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).

## DIRECTORS' REPORT

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

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

In respect of any person who is a Director or employee of the Company or 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 options 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 may be granted during any other period specified by the Directors 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.

## DIRECTORS' REPORT

- (d) Under the Previous Scheme and the Scheme, share options granted, exercised and cancelled during the financial year and outstanding as at 31 March 2007 were as follows :

Date of grant	No. of options				At 31.3.2007	Exercise price	Expiry date
	At 1.4.2006	Granted	Exercised	Lapsed/ Cancelled			
16.10.2000	546,000	–	37,000	–	509,000	\$0.30	15.10.2010
31.07.2003	440,000	–	–	100,000	340,000	\$0.43	30.07.2008
31.07.2003	1,125,000	–	–	195,000	930,000	\$0.43	30.07.2013
	<u>2,111,000</u>	<u>–</u>	<u>37,000</u>	<u>295,000</u>	<u>1,779,000</u>		

- (e) The participants of the Previous Scheme and the Scheme who are Directors of the Company as at 31 March 2007 are disclosed in the following table :

Name of participant	Options granted during financial year	Aggregate options		Aggregate options outstanding as at end of financial year
		granted since commencement of Previous Scheme and the Scheme to end of financial year	exercised/ cancelled/ lapsed since commencement of Previous Scheme and the Scheme to end of financial year	
Kuah Kok Kim	–	–	–	–
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 any 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"), established for granting of options that are settled by physical delivery of the ordinary shares of MTQ Subsea Technology Pte Ltd ("MTQ Subsea") to executive directors and senior executives of MTQ Subsea, was approved on 21 June 2000. The Subsea Scheme is administered by the directors of MTQ Subsea.

## DIRECTORS' REPORT

### Options to acquire shares in a subsidiary company (cont'd)

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 were as follows :

Date of grant	No. of options				At 31.3.2007	Exercise price	Expiry date
	At 1.4.2006	Granted	Exercised	Lapsed/ Cancelled			
21.06.2000	45,000	–	–	(45,000)	–	\$1.20	21.06.2010

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

The abolishment of the concept of “par value” pursuant to the Act 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.

The Subsea Scheme had been cancelled with effect from 1 June 2007.

### 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 3 members, all of whom are non-executive Directors. 2 of them are Independent Directors :

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

The Audit Committee performs the functions required pursuant to Section 201B(5) of the Act, and the Code of Corporate Governance 2005 including the following :

- Reviews the audit plans of the internal and external auditors of the Company and the Group and ensures the adequacy of the system of accounting controls and the co-operation given by management to the external and internal auditors;
- Reviews the half-year and annual financial statements of the Company and the Group and the auditors' report thereon before their submission to the Board of Directors;
- Reviews the effectiveness of 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;

# DIRECTORS' REPORT

## Audit Committee (cont'd)

- 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 two meetings during the financial 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  
4 June 2007

## 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 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 2007 and the results of the business, changes in equity of the Group and of the Company 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  
4 June 2007

# INDEPENDENT AUDITORS' REPORT

To the Members of MTQ Corporation Limited

We have audited the accompanying financial statements of MTQ Corporation Limited (the "Company") and its subsidiary companies (the "Group") set out on pages 40 to 99, which comprise the balance sheets of the Company and the Group as at 31 March 2007, the profit and loss accounts and statements of changes in equity of the Company and the Group, and the consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Directors' responsibility for the financial statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion,

- (i) the consolidated financial statements of the Group, and the profit and loss accounts, balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of 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 the Group as at 31 March 2007 and the results, changes in equity of the Company and the Group and the cash flows of the Group for the year ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by the Company and by the 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  
4 June 2007

## PROFIT AND LOSS ACCOUNTS

for the financial year ended 31 March 2007

(In Singapore dollars)

GROUP	Note	Continuing Operations		Discontinued Operations		Total Consolidated	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Revenue</b>	3	67,513	52,027	403	2,550	67,916	54,577
<b>Other income/ (expenses)</b>	4	1,454	2,841	–	(6)	1,454	2,835
		68,967	54,868	403	2,544	69,370	57,412
Cost of sales		(41,933)	(31,616)	(399)	(2,554)	(42,332)	(34,170)
		27,034	23,252	4	(10)	27,038	23,242
Staff costs		(10,704)	(9,469)	–	(406)	(10,704)	(9,875)
Other operating expenses		(8,729)	(11,710)	(42)	(263)	(8,771)	(11,973)
<b>Profit/(loss) from operating activities</b>	5	7,601	2,073	(38)	(679)	7,563	1,394
Finance costs	6	(1,204)	(1,007)	–	(131)	(1,204)	(1,138)
Gain on disposition	7	–	–	–	560	–	560
<b>Profit/(loss) from operations before share of results of associated company</b>		6,397	1,066	(38)	(250)	6,359	816
Share of results of associated company		–	3,150	–	–	–	3,150
<b>Profit/(loss) from operations before taxation</b>		6,397	4,216	(38)	(250)	6,359	3,966
Taxation	8	(1,612)	(522)	(42)	760	(1,654)	238
<b>Net profit/(loss) for the financial year</b>		4,785	3,694	(80)	510	4,705	4,204
Attributable to:							
Shareholders of the Company		4,785	3,694	(66)	418	4,719	4,112
Minority interests		–	–	(14)	92	(14)	92
		4,785	3,694	(80)	510	4,705	4,204
<b>Earnings per share</b>	9						
- Basic		5.13 cts	3.87 cts	(0.07) cts	0.44 cts	5.06 cts	4.31 cts
- Diluted		5.12 cts	3.87 cts	(0.07) cts	0.44 cts	5.05 cts	4.31 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 2007

(In Singapore dollars)

COMPANY	Note	2007 \$'000	2006 \$'000
<b>Revenue</b>	3	11,647	4,861
<b>Other income</b>	4	5	448
		<u>11,652</u>	<u>5,309</u>
Staff costs		(2,057)	(1,595)
Other operating expenses		<u>(2,885)</u>	<u>(598)</u>
<b>Profit from operating activities</b>	5	6,710	3,116
Finance costs	6	<u>(104)</u>	<u>(2)</u>
<b>Profit from operations before taxation</b>		6,606	3,114
Taxation	8	<u>(364)</u>	<u>(359)</u>
<b>Net profit for the financial year</b>		<u>6,242</u>	<u>2,755</u>

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

## BALANCE SHEETS

as at 31 March 2007

(In Singapore dollars)

	Note	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Non-current assets</b>					
Goodwill	10	6,816	6,543	–	–
Property, plant and equipment, net	11	13,133	11,038	1,297	1,158
Subsidiary companies	12	–	–	16,383	17,427
Long term investment	13	36,037	32,569	–	–
Receivables	14	461	382	54	128
Deferred tax assets	21	1,146	1,148	–	–
		57,593	51,680	17,734	18,713
<b>Current assets</b>					
Inventories	15	13,992	10,154	–	–
Trade and other receivables	16	14,993	11,542	23,249	16,991
Prepayments		502	956	57	34
Tax recoverable		94	842	76	825
Cash at banks and in hand	17	2,937	3,650	–	–
Assets classified as held-for-sale	7	–	399	–	–
		32,518	27,543	23,382	17,850
<b>Current liabilities</b>					
Trade and other payables	18	(13,359)	(12,941)	(2,310)	(1,533)
Short term bank borrowings	19	(7,915)	(5,815)	(3,254)	(700)
Long term bank borrowings, current portion	19	(1,948)	(1,042)	–	–
Loans from a minority shareholder of a subsidiary company	20	–	(76)	–	–
Provision for taxation		(942)	(358)	–	–
Liabilities associated with assets classified as held-for-sale	7	–	(279)	–	–
		(24,164)	(20,511)	(5,564)	(2,233)
<b>Net current assets</b>		8,354	7,032	17,818	15,617
<b>Non-current liabilities</b>					
Other payables	18	–	–	(2,442)	(3,994)
Loans from a minority shareholder of a subsidiary company	20	(1,039)	(1,008)	–	–
Long term bank borrowings	19	(7,813)	(5,716)	–	–
Deferred tax liabilities	21	(576)	(254)	–	(65)
Provisions	22	(196)	(123)	(62)	–
		(9,624)	(7,101)	(2,504)	(4,059)
<b>Net assets</b>		56,323	51,611	33,048	30,271
<b>EQUITY</b>					
Share capital	23	28,126	28,126	28,126	28,126
Treasury shares	23	(1,585)	–	(1,585)	–
Reserves	24	30,440	24,127	6,507	2,145
<b>Shareholders' funds</b>		56,981	52,253	33,048	30,271
<b>Minority interests</b>	25	(658)	(642)	–	–
		56,323	51,611	33,048	30,271

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 2007

(In Singapore dollars)

Group	Attributable to shareholders of the Company							Total share-holders' funds	Minority interests	Total equity
	Share capital	Share premium	Treasury shares	Foreign	Retained earnings	Fair value	Other reserve			
				currency translation reserve		adjustment reserve				
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Balance as at 1 April 2005</b>	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 26)	–	–	–	–	(1,145)	–	–	(1,145)	–	(1,145)
Dividends paid in respect of current financial year, less tax (Note 26)	–	–	–	–	(764)	–	–	(764)	–	(764)
<b>Balance as at 31 March 2006</b>	28,126	–	–	662	8,044	15,421	–	52,253	(642)	51,611
<b>Balance as at 1 April 2006</b>	28,126	–	–	662	8,044	15,421	–	52,253	(642)	51,611
Net gain on fair value changes	–	–	–	–	–	2,105	–	2,105	–	2,105
Exchange difference on translation of overseas subsidiary companies	–	–	–	1,369	–	–	–	1,369	(2)	1,367
Net profit for the financial year	–	–	–	–	4,719	–	–	4,719	(14)	4,705
Dividends paid in respect of previous financial year, less tax (Note 26)	–	–	–	–	(1,145)	–	–	(1,145)	–	(1,145)
Dividends paid in respect of current financial year, less tax (Note 26)	–	–	–	–	(732)	–	–	(732)	–	(732)
Share buyback - held as treasury shares	–	–	(1,599)	–	–	–	–	(1,599)	–	(1,599)
Issuance of ordinary shares pursuant to exercise of options	–	–	14	–	–	–	(3)	11	–	11
<b>Balance as at 31 March 2007</b>	28,126	–	(1,585)	2,031	10,886	17,526	(3)	56,981	(658)	56,323

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 2007

(In Singapore dollars)

	Share capital \$'000	Share premium \$'000	Treasury shares \$'000	Retained earnings \$'000	Other reserve \$'000	Total share-holders' funds \$'000
<b>COMPANY</b>						
<b>Balance as at 1 April 2005</b>	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 26)	–	–	–	(1,145)	–	(1,145)
Dividends paid in respect of current financial year, less tax (Note 26)	–	–	–	(764)	–	(764)
<b>Balance as at 31 March 2006</b>	<b>28,126</b>	<b>–</b>	<b>–</b>	<b>2,145</b>	<b>–</b>	<b>30,271</b>
<b>Balance as at 1 April 2006</b>	28,126	–	–	2,145	–	30,271
Net profit for the financial year	–	–	–	6,242	–	6,242
Dividends paid in respect of previous financial year, less tax (Note 26)	–	–	–	(1,145)	–	(1,145)
Dividends paid in respect of current financial year, less tax (Note 26)	–	–	–	(732)	–	(732)
Share buyback - held in treasury	–	–	(1,599)	–	–	(1,599)
Issuance of ordinary shares pursuant to exercise of options	–	–	14	–	(3)	11
<b>Balance as at 31 March 2007</b>	<b>28,126</b>	<b>–</b>	<b>(1,585)</b>	<b>6,510</b>	<b>(3)</b>	<b>33,048</b>

Under the Singapore Companies Act, Cap. 50, 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 2007

(In Singapore dollars)

	2007 \$'000	2006 \$'000
<b>Cash flows from operating activities :</b>		
Profit from operations before taxation	6,359	3,966
Add/(less) :		
Depreciation of property, plant and equipment	2,945	3,790
Gain on sale of property, plant and equipment	(48)	(103)
Interest income	(80)	(87)
Interest expense	1,204	1,138
Dividend income	(1,275)	–
Gain on dilution of shareholding in associated company	–	(2,108)
Gain on disposition of discontinued operations	–	(560)
Share of results of associated company	–	(3,150)
	<hr/>	<hr/>
<b>Operating income before reinvestment in working capital</b>	9,105	2,886
Increase in receivables and prepayments	(2,976)	(659)
Increase in inventories	(3,439)	(2,623)
Increase in payables	139	3,499
Currency realignment	(134)	747
	<hr/>	<hr/>
<b>Cash generated from operations</b>	2,695	3,850
Interest income received	80	87
Interest expense paid	(1,197)	(1,131)
Income taxes refunded/(paid)	423	(56)
	<hr/>	<hr/>
<b>Net cash provided by operating activities</b>	2,001	2,750
	<hr/>	<hr/>
<b>Cash flows from investing activities :</b>		
Dividends received	892	544
Purchase of property, plant and equipment	(5,122)	(4,597)
Proceeds from sale of property, plant and equipment	331	1,025
Loans granted to staff	(288)	(217)
Loans repaid by staff	188	203
Acquisition of additional shares in associated company	–	(2,171)
Proceeds from disposition of discontinued operations	–	8,391
	<hr/>	<hr/>
<b>Net cash (used in)/provided by investing activities</b>	(3,999)	3,178
	<hr/>	<hr/>

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 March 2007

(In Singapore dollars)

	<b>2007</b>	<b>2006</b>
	\$'000	\$'000
<b>Cash flows from financing activities :</b>		
Dividends paid	(1,877)	(1,909)
Proceeds from bank borrowings	7,289	2,460
Repayment of bank borrowings	(2,098)	(8,786)
Share buyback	(1,599)	–
Proceeds from issuance of shares pursuant to exercise of options	11	–
Repayment of loans from a minority shareholder of a subsidiary company	(45)	(356)
Proceeds from loans from a minority shareholder of a subsidiary company	–	50
<b>Net cash provided by/(used in) financing activities</b>	<u>1,681</u>	<u>(8,541)</u>
Net change in cash and cash equivalents	(317)	(2,613)
Cash and cash equivalents at beginning of financial year (Note 17)	2,950	5,755
Effect of exchange rate changes on cash and cash equivalents	50	(192)
<b>Cash and cash equivalents at end of financial year (Note 17)</b>	<u>2,683</u>	<u>2,950</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 1. Corporate information

MTQ Corporation Limited is a limited liability company which is domiciled and incorporated in Singapore. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited.

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 subsidiaries are those relating to oilfield engineering; rental of oilfield equipment and spare parts; provision of oilfield equipment manufacturing and fabrication services; sales and servicing of turbochargers and fuel injection parts; and investment holding.

## 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 new and revised FRS which became effective in the current financial year.

The adoption of these new and revised FRS did not result in any significant changes to the Company and the Group's accounting policies.

*FRS and Interpretation of Financial Reporting Standard ("INT FRS") not yet effective*

The Company and the Group have not applied the following FRS and INT FRS that have been issued but not yet effective :

		Effective date (annual periods beginning on or after)
FRS 1	: Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)	1 January 2007
FRS 40	: Investment Property	1 January 2007
FRS 107	: Financial Instruments : Disclosures	1 January 2007
INT FRS 108	: Scope of FRS 102, Share-based Payment	1 May 2006
INT FRS 109	: Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110	: Interim Financial Reporting and Impairment	1 November 2006

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 2. Summary of significant accounting policies (cont'd)

### 2.2 Changes in accounting policies (cont'd)

The Directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 107 and the amendment to FRS 1 as indicated below.

(i) *FRS 107, Financial Instruments : Disclosures*

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

(ii) *Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)*

The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The Group will apply FRS 107 and the amendment to FRS 1 from the financial year beginning 1 April 2007.

### 2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

*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 :

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 units 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 2007 was \$6,816,000 (2006: \$6,543,000). More details are given in Note 10.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 30 years. The carrying amount of the Group's property, plant and equipment as at 31 March 2007 was \$13,133,000 (2006 : \$11,038,000). Changes in the expected level of usage and technological developments could impact the economic useful lives, and therefore, future depreciation charges could be revised.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Significant accounting estimates and judgements (cont'd)

#### 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. As at 31 March 2007, the Group's net provision for taxation stood at \$848,000 (2006 : net tax recoverable of \$484,000), and the carrying amounts of deferred tax assets and liabilities was \$1,146,000 (2006 : \$1,148,000) and \$576,000 (2006 : \$254,000) respectively.

### 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.

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 foreign operation. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Functional and foreign currency (cont'd)

#### (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 foreign operations, 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 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 2. Summary of significant accounting policies (cont'd)

### 2.6 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed.

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

Revenue from trading sales is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from rental services is recognised as and when the services are provided.

Management fees are recognised when corporate services are rendered.

Interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

Dividend income is recognised when the Group's right to receive payment is established.

### 2.7 Employee benefits

#### *Defined contribution plans*

As required by law, the Company and its subsidiary companies in Singapore make contributions to the national pension scheme, the Central Provident Fund ("CPF"). The Company's subsidiary companies outside Singapore make contributions to their respective countries' pension schemes, as defined by the laws of the countries in which they have operations. Such contributions are recognised as compensation expenses charged against the profit and loss account in the same period in which the related service is performed.

#### *Employee leave entitlements*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 2. Summary of significant accounting policies (cont'd)

### 2.7 Employee benefits (cont'd)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in the profit and loss account and a corresponding adjustment to equity.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

The Group has applied the transitional provisions of FRS 102 in respect of equity-settled awards which were either granted before 22 November 2002 or have vested before 1 April 2005.

### 2.8 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. 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 to the profit and loss account.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of 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. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

### 2.9 Borrowing costs

Borrowings are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 2. Summary of significant accounting policies (cont'd)

### 2.10 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 temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except :

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of temporary differences associated with investments in subsidiary companies, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences (other than those mentioned above), carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

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

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

Income tax relating to items recognised directly in equity is recognised directly in 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 2. Summary of significant accounting policies (cont'd)

### 2.10 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, in which case 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.

### 2.11 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.

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.

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 2. Summary of significant accounting policies (cont'd)

### 2.12 Property, plant and equipment

All items of 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.

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	-	3 to 10 years
Furniture and fixtures	-	3 to 10 years
Motor vehicles	-	3 to 10 years
Office equipment	-	1 to 5 years

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an item of property, plant and equipment is included in the profit and loss account in the year the asset is derecognised.

### 2.13 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.

### 2.14 Long term investments

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

The accounting policy for such financial assets are stated in Note 2.16.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 2. Summary of significant accounting policies (cont'd)

### 2.15 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 turbochargers and fuel injection parts, where costs are determined on a weighted average basis.

Work-in-progress includes 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.

### 2.16 Financial assets

Financial assets 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.

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.

#### (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 whose fair value is positive are also classified as held for trading unless they are designated as effective hedging instruments. The accounting policy for derivative financial instruments is included in Note 2.26.

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

#### (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.

The Group classifies the following financial assets as loans and receivables :

- cash at bank and in hand;
- fixed deposits; and
- trade and other receivables, including amounts due from subsidiary companies.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 2. Summary of significant accounting policies (cont'd)

### 2.16 Financial assets (cont'd)

#### (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 investments that are 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. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment losses.

### 2.17 Impairment of financial assets

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

#### *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on financial assets 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 discounted at the financial asset's original effective interest rate. 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 a financial asset carried at 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 discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

#### *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 of impairment losses in respect of equity instruments are not recognised in the profit and loss account. Reversal of impairment losses on debt instruments are 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 2. Summary of significant accounting policies (cont'd)

### 2.18 *Derecognition of financial assets*

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

### 2.19 *Trade and other receivables*

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amounts 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. Bad debts are written off as incurred.

Receivables from subsidiary companies are recognised and carried at cost less an allowance for any uncollectible amounts. Further details on the accounting policy for this category of financial assets are stated in Note 2.16.

### 2.20 *Cash and cash equivalents*

Cash comprises cash at bank and in hand as well as fixed deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include unsecured bank overdrafts that form an integral part of the Group's cash management.

### 2.21 *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 are recognised in the profit and loss account as 'other operating expenses' 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.

An assessment is made at each reporting date as to whether there is any indication that impairment losses recognised previously for an asset 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 2. Summary of significant accounting policies (cont'd)

### 2.22 Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

#### (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 30 to 60 day terms.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged, cancelled or expired.

### 2.23 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.

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.

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.

### 2.24 Segment reporting

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

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

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

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

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

Unallocated items comprise mainly income tax, deferred tax assets and liabilities, as well as bank borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 2. Summary of significant accounting policies (cont'd)

### 2.25 Non-current assets held for sale and discontinued operations

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.

### 2.26 Derivative financial instruments

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date.

Any gains or losses arising from changes in fair value on derivative financial instruments are taken to the profit and loss account for the year.

## 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	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Sales and servicing	67,916	54,577	–	–
Dividends	–	–	7,955	1,875
Consultancy and management fees	–	–	2,358	2,058
Rental	–	–	1,334	928
	<u>67,916</u>	<u>54,577</u>	<u>11,647</u>	<u>4,861</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 4. Other income/(expenses)

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Dividends	1,275	–	–	–
Interest income				
- bank deposits	57	70	–	8
- staff loans	23	17	5	6
Gain on dilution of shareholding in associated company	–	2,108	–	–
Rental	–	434	–	434
Other income, net	99	206	–	–
	<u>1,454</u>	<u>2,835</u>	<u>5</u>	<u>448</u>

### 5. Profit/(loss) from operating activities

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

#### (a) **Manpower costs**

Directors' remuneration:

- Directors of the Company

• Salaries, wages and bonuses	776	587	776	587
• Contributions to CPF and other defined contribution plans	2	4	2	4
• Others	4	3	4	3

- Directors of subsidiary companies

• Salaries, wages and bonuses	606	681	–	–
• Contributions to CPF and other defined contribution plans	27	30	–	–
• Others	73	151	–	–

Other employees' remuneration:

• Salaries, wages and bonuses	14,102	12,637	1,100	901
• Contributions to CPF and other defined contribution plans	1,494	1,130	87	96
• Others	2,170	2,329	88	4

	<u>19,254</u>	<u>17,552</u>	<u>2,057</u>	<u>1,595</u>
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Less: Manpower costs capitalised

	<u>(719)</u>	<u>(440)</u>	<u>–</u>	<u>–</u>
	<u>18,535</u>	<u>17,112</u>	<u>2,057</u>	<u>1,595</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 5. Profit/(loss) from operating activities (cont'd)

Manpower costs of the Company and the Group amounting to \$nil and \$7,831,000 (2006 : \$nil and \$7,237,000) respectively have been included in cost of sales.

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(b) <b>Other operating expenses</b>				
Allowance for doubtful receivables, net	65	454	–	–
Bad debts written off, net	78	3	–	–
Depreciation of property, plant and equipment	1,423	2,237	408	406
Directors' fees				
- Directors of the Company	112	105	112	105
- Directors of subsidiary companies	4	4	–	–
(Gain)/loss on sale of property, plant and equipment, net	(48)	(103)	6	(2)
Allowance for inventory obsolescence, net	366	74	–	–
(Gain)/loss on exchange, net	(130)	1,400	44	(3)
Non-audit fees paid to				
- Auditors of the Company	54	114	16	46
- Auditors of subsidiary companies	46	83	–	–
Operating lease expenses	1,414	1,304	220	234
Allowance/(write-back of allowance) for doubtful receivables due from subsidiary companies	–	–	530	(957)
Impairment/(write-back of impairment) in value of investments in subsidiary companies, net	–	–	174	(174)

Operating lease expenses of the Group amounting to \$42,000 (2006 : \$nil) have been included in cost of sales.

Depreciation of property, plant and equipment of the Group amounting to \$1,522,000 (2006 : \$1,553,000) 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	
	2007	2006
\$500,000 and above	1	1
\$250,000 to \$499,999	–	–
Below \$250,000	5	4
Total	6	5

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 6. Finance costs

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Interest on :				
- bank loans and overdrafts	1,195	1,131	103	2
- others	9	7	1	-
	<u>1,204</u>	<u>1,138</u>	<u>104</u>	<u>2</u>

### 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 the ROV fleet, the subsidiary companies had progressively wound down their ROV operations and realised their other ROV assets.

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

	Group	
	2007 \$'000	2006 \$'000
Total assets	-	7,487
Total liabilities	-	-
	<u>-</u>	<u>7,487</u>

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. These were realised during the financial year.

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

Operating	(83)	(826)
Investing	-	8,396
Financing	(178)	(7,544)
	<u>(261)</u>	<u>26</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 8. Taxation

### (a) Major components of income tax expense

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>(i) Profit and loss account</b>				
<i>Current taxation</i>				
Current income taxation	1,301	633	242	336
Underprovision in respect of prior years	37	300	187	30
	<u>1,338</u>	<u>933</u>	<u>429</u>	<u>366</u>
<i>Deferred taxation</i>				
Movements in temporary differences	403	(413)	–	116
Overprovision in respect of prior years	(129)	(415)	(65)	(123)
	<u>274</u>	<u>(828)</u>	<u>(65)</u>	<u>(7)</u>
Share of taxation of associated company	–	417	–	–
Taxation attributable to continuing operations	1,612	522	364	359
Taxation attributable to discontinued operations				
<i>Current taxation</i>				
- current income taxation	(25)	(444)	–	–
- overprovision in respect of prior years	(29)	(316)	–	–
<i>Deferred taxation</i>				
- movements in temporary differences	6	–	–	–
- underprovision in respect of prior years	90	–	–	–
	<u>42</u>	<u>(760)</u>	<u>–</u>	<u>–</u>
Taxation expense/(credit) recognised in profit and loss account	<u>1,654</u>	<u>(238)</u>	<u>364</u>	<u>359</u>
<b>(ii) Statements of changes in equity</b>				
Deferred taxation arising from net change in fair value adjustment charged directly to equity	<u>4,179</u>	<u>(10,133)</u>	<u>–</u>	<u>–</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(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 2007 and 31 March 2006 is as follows :

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Profit from operations before taxation	6,359	3,966	6,606	3,114
Less : Share of results of associated company	–	(3,150)	–	–
Profit from operations before share of results of associated company	6,359	816	6,606	3,114
Tax at Singapore statutory tax rate of 18% (2006 : 20%)	1,145	163	1,189	623
Tax effect of expenses not deductible for tax	463	1,091	247	–
Tax effect of income not subject to tax	(395)	(364)	(1,101)	(203)
Effect of change in Singapore statutory tax rate	(8)	–	13	–
Deferred tax assets not recognised	541	824	–	32
Utilisation of deferred tax assets previously not recognised	(106)	(1,406)	(106)	–
Effect of difference in effective tax rates of other countries	(31)	(498)	–	–
Under/(over)provision in respect of prior years	(31)	(431)	122	(93)
Others	76	(34)	–	–
	1,654	(655)	364	359
Add : Share of taxation of associated company	–	417	–	–
	1,654	(238)	364	359

The Singapore government announced a 2% cut in the corporate income tax rate, reducing it from 20% to 18% effective from Year of Assessment 2008.

As at 31 March 2007, certain subsidiary companies had unutilised tax losses of approximately \$7,962,000 (2006 : \$8,235,000) and unabsorbed capital allowances of approximately \$1,401,000 (2006 : \$2,191,000), 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 \$2,428,000 (2006 : \$2,060,000) 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 9. Earnings per share

### (a) *Continuing operations*

Basic earnings per share amounts are calculated by dividing the profit 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 per share amounts are calculated by dividing the profit 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 reflect 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	
	2007 \$'000	2006 \$'000
Net profit from continuing operations attributable to shareholders of the Company used in computation of earnings per share	4,785	3,694
	Number of shares	
	'000	'000
Weighted average number of ordinary shares in issue applicable to basic earnings per share	93,320	95,445
Effect of dilution :		
Share options	122	60
Weighted average number of ordinary shares adjusted for the effect of dilution	93,442	95,505

1,270,000 (2006 : 1,565,000) 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.

3,963,000 (2006 : nil) treasury shares have been excluded from the above computation.

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 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. The share data is as presented in caption (a) of this Note.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 10. Goodwill

	<b>Group</b> \$'000
Cost :	
At 1 April 2005	7,874
Currency realignment	(625)
Elimination of accumulated amortisation	(706)
	<hr/>
At 31 March 2006 and 1 April 2006	6,543
Currency realignment	273
	<hr/>
At 31 March 2007	6,816
	<hr/>
Accumulated amortisation :	
At 1 April 2005	706
Elimination of accumulated amortisation	(706)
	<hr/>
At 31 March 2006 and 2007	-
	<hr/>
Net carrying amount :	
At 31 March 2007	6,816
	<hr/>
At 31 March 2006	6,543
	<hr/>

### ***Impairment testing of goodwill***

Goodwill had previously 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 :

	<b>Group</b> <b>2006</b> \$'000
Fuel injection	6,164
Turbocharger	379
	<hr/>
	6,543
	<hr/>

Due to the business integration process, they are no longer able to be reported as two individual CGUs from 1 April 2006. Consequently, for impairment testing, these were tested as one CGU.

The recoverable amount of the CGU is determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a period of 5 years with an annual growth rate of 10% (2006 : 10%). Management believes that the annual growth rate of 10% is reasonable given past performance and expectations for market development although the actual growth rate may differ from management's estimate as operating environment changes. A pre-tax discount rate of 10% (2006 : 12%) was applied to the cash flow projections.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(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 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
Currency realignment	12	16	–	–	118	219	–	365
Additions	–	–	–	449	4,252	482	–	5,183
Disposals/written off	–	–	–	–	(2,398)	(579)	(193)	(3,170)
At 31 March 2007	303	392	–	6,453	18,105	7,740	–	32,993
Accumulated depreciation and impairment								
At 1 April 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
Currency realignment	–	5	–	–	70	150	–	225
Depreciation	–	19	–	285	1,501	1,140	–	2,945
Disposals/written off	–	–	–	–	(2,246)	(448)	(193)	(2,887)
At 31 March 2007	–	142	–	5,294	8,602	5,822	–	19,860
Net book value								
At 31 March 2007	303	250	–	1,159	9,503	1,918	–	13,133
At 31 March 2006	291	258	–	995	6,856	2,638	–	11,038

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 11. Property, plant and equipment, net (cont'd)

Company	Leasehold buildings	Workshop equipment	Furniture and fixtures, office equipment and motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
At 1 April 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
Additions	449	–	104	553
Disposals/written off	–	(850)	–	(850)
At 31 March 2007	6,453	209	1,340	8,002
Accumulated depreciation				
At 1 April 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
Depreciation	285	–	123	408
Disposals/written off	–	(844)	–	(844)
At 31 March 2007	5,294	208	1,203	6,705
Net book value				
At 31 March 2007	1,159	1	137	1,297
At 31 March 2006	995	7	156	1,158

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

Location	Description	Area sq. m.	Tenure	Net book value	
				2007 \$'000	2006 \$'000
<b>Freehold land and buildings</b>					
32 Raynham Street, Salisbury Queensland 4107, Australia	Office building and workshop	2,200	Freehold	553	549
<b>Leasehold building</b>					
182 Pandan Loop Singapore 128373	Office building and workshop	14,271	30 years lease from 16.9.2006	1,159	995

During the financial year, the Company accepted a conditional offer for the renewal of the lease of its premises situated at 182 Pandan Loop Singapore 128373 from JTC Corporation for a further term of 27 years from 16 September 2009. Following the acceptance, the Company commissioned an independent valuation of the property situated thereat based on fair market value. The value was arrived based on an analysis of transacted prices of similar properties, its location, size, type of construction, existing condition, unexpired leasehold tenure and degree of site improvements etc.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 11. Property, plant and equipment, net (cont'd)

Based on the valuation report dated 25 October 2006, and assuming that the terms and conditions in the offer of renewal have been met and the extension of the lease has been granted, the property commands a fair market value of \$3,950,000 as at 25 October 2006. The valuation surplus, however, has not been reflected in the financial statements of the Company and the Group, given that the cost model, instead of revaluation model, continues to be used in accounting for the leasehold building.

### *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 19) :

	Net book value	
	2007 \$'000	2006 \$'000
Freehold land	303	291
Freehold building	250	258
Plant and workshop equipment	5,438	2,328
Furniture and fixtures, office equipment and motor vehicles	1,411	2,142

## 12. Subsidiary companies

	Company	
	2007 \$'000	2006 \$'000
Unquoted shares, at cost :		
At beginning of financial year	27,565	27,565
Dividends received from a subsidiary company paid out of pre-acquisition reserve	(434)	–
At end of financial year	27,131	27,565
Impairment in value of investments	(10,748)	(10,574)
	16,383	16,991
Inter-company indebtedness :		
Amounts owing by subsidiary companies		
- Trade	–	11
- Non-trade	899	438
- Interest-free loans	2,463	2,759
Allowance for amounts owing by subsidiary companies	(3,362)	(2,772)
	–	436
	16,383	17,427

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 12. Subsidiary companies (cont'd)

The amounts and loans owing by subsidiary companies included as part of the Company's net investment in subsidiary companies are unsecured, interest-free, 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.

During the financial year, an impairment loss of \$530,000 (2006 : \$957,000) was recognised in the profit and loss account as part of other operating expenses, subsequent to a debt recovery assessment performed on intercompany receivables for the current and non-current portions as at 31 March 2007.

Further details regarding the subsidiary companies are set out in Note 29.

### 13. Long term investment

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Shares (quoted)	36,037	32,569	–	–

The fair value of the above investment is based on its quoted closing market price on the last market day of the financial year. The Group's available-for-sale investments are denominated in Australian dollars.

### 14. Receivables

Staff loans, non-current	461	382	54	128
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Staff loans relate to interest-free loans extended to executive directors and management staff of the Company and its subsidiary companies to purchase cars. These loans are repayable by monthly instalments over seven years with the last repayment due in year 2013. The executive directors and management staff concerned had entered into agreements with the Company or the respective subsidiary companies to assign all rights of ownership of the cars to the Company or the subsidiary companies until full settlement of the loans. The staff loans are carried at amortised cost. The current portion of these loans is disclosed in Note 16.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 15. Inventories

	Group	
	2007	2006
	\$'000	\$'000
<i>First-in-first-out basis</i>		
- Finished goods	–	2
- Raw materials	1,006	326
- Work-in-progress	3,725	2,106
- Engines and spares	259	261
	4,990	2,695
<i>Weighted average basis</i>		
- Finished goods	8,894	7,322
- Work-in-progress	29	34
- Goods-in-transit	79	103
	9,002	7,459
	13,992	10,154
Finished goods, raw materials and engines and spares are stated after deducting an allowance for inventory obsolescence of :		
- first-in-first-out basis	137	107
- weighted average basis	547	205
	684	312

During the financial year, the Group wrote down \$366,000 (2006 : \$215,000) of inventories. In the previous financial year, the Group also reversed an allowance for inventory obsolescence of \$141,000 made in prior years as the inventories were sold above the carrying amounts. These had been included in the profit and loss account as part of other operating expenses.

The Group has pledged a floating charge over the inventories of a subsidiary company amounting to \$8,785,000 (2006 : \$7,238,000) as securities over the bank borrowings of the subsidiary company.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 16. Trade and other receivables

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade receivables	14,527	10,895	–	–
Advances to suppliers	79	–	–	–
Staff loans, current (Note 14)	98	95	23	30
Sundry deposits	14	23	2	2
Sundry receivables	275	159	50	27
Rental receivables	–	370	–	370
Amounts owing by subsidiary companies				
- Trade	–	–	5,624	5,107
- Non-trade	–	–	7,753	1,551
- Interest-free loans	–	–	9,797	9,904
	<u>14,993</u>	<u>11,542</u>	<u>23,249</u>	<u>16,991</u>

Trade receivables are stated after deducting an allowance for doubtful receivables of :

- trade receivables	1,214	1,341	113	113
- amounts owing by subsidiary companies	–	–	–	60
	<u>1,214</u>	<u>1,341</u>	<u>113</u>	<u>173</u>

#### **Amounts owing by subsidiary companies**

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

#### **Allowance for doubtful receivables**

During the financial year, an impairment loss of \$65,000 (2006 : \$454,000) was recognised in the profit and loss account subsequent to a debt recovery assessment performed on trade receivables and other receivables as at 31 March 2007.

Trade and other receivables are denominated in the following currencies :

Singapore dollars	4,944	2,584	23,249	16,991
Australian dollars	5,182	4,847	–	–
United States dollars	4,823	4,045	–	–
Others	44	66	–	–
	<u>14,993</u>	<u>11,542</u>	<u>23,249</u>	<u>16,991</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 17. Cash and cash equivalents

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

	Group	
	2007 \$'000	2006 \$'000
Cash at banks and in hand	2,937	3,650
Bank overdrafts, unsecured (Note 19)	(254)	(700)
	<u>2,683</u>	<u>2,950</u>

Cash at banks of certain subsidiary companies earn interest at floating rates based on daily bank deposit rates ranging from 0.01% to 4.35% (2006 : 1.69% to 5.20%) per annum.

Included in cash and cash equivalents of the Group are \$1,294,000 and \$739,000 (2006 : \$1,221,000 and \$1,288,000) denominated in United States dollars and Australian dollars respectively.

### 18. Trade and other payables

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<u>Current</u>				
Trade payables	7,172	8,594	–	24
Sundry payables	247	456	167	102
Accruals for staff-related costs	4,076	2,825	676	339
Sundry accruals	1,864	1,066	404	219
Amounts owing to subsidiary companies				
- Non-trade	–	–	25	117
- Interest-free loans	–	–	1,038	732
	<u>13,359</u>	<u>12,941</u>	<u>2,310</u>	<u>1,533</u>
<u>Non-current</u>				
Amounts owing to subsidiary companies				
- Interest-free loans	–	–	2,442	3,994

#### **Trade payables**

Trade payables are non-interest bearing and are normally settled on 30 to 60 day terms.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 18. Trade and other payables (cont'd)

#### *Other payables*

Other payables are non-interest bearing and have an average term of 30 to 60 days.

#### *Amounts owing to subsidiary companies*

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

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

Trade and other payables are denominated in the following currencies :

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Singapore dollars	5,848	5,403	2,310	1,533
Australian dollars	6,288	6,782	–	–
United States dollars	705	438	–	–
Others	518	318	–	–
	<u>13,359</u>	<u>12,941</u>	<u>2,310</u>	<u>1,533</u>

### 19. Bank borrowings

#### *Short term bank borrowings*

##### Bank overdrafts

Unsecured (Note 17)	254	700	254	700
Secured				
- Facility 1	2,047	1,985	–	–

##### Short term bank loans

Unsecured	3,610	582	3,000	–
Secured				
- Facility 1	1,404	1,348	–	–
- Facility 2	600	1,200	–	–
	<u>7,915</u>	<u>5,815</u>	<u>3,254</u>	<u>700</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 19. Bank borrowings (cont'd)

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Long term bank borrowings, current portion</b>				
<u>Long term bank loans</u>				
Unsecured	85	–	–	–
Secured				
- Facility 1	878	842	–	–
- Facility 2	985	200	–	–
	<u>1,948</u>	<u>1,042</u>	<u>–</u>	<u>–</u>
<b>Long term bank borrowings, non-current portion</b>				
<u>Long term bank loans</u>				
Unsecured	475	–	–	–
Secured				
- Facility 1	4,498	5,160	–	–
- Facility 2	2,840	556	–	–
	<u>7,813</u>	<u>5,716</u>	<u>–</u>	<u>–</u>

### Unsecured bank borrowings

The unsecured bank overdraft is repayable on demand and bears interest at 1.00% (2006 : 1.00%) per annum above the bank's prime rate.

The unsecured short term bank loans relate to 30 day revolving loans. Interest is payable at 2.50% (2006 : 2.50%) per annum above the bank's cost of funds.

The unsecured long term bank loan is repayable over quarterly instalments of \$85,000 commencing from January 2008. Interest is payable at the rate of 1.75% per annum above the bank's cost of funds.

### Secured bank borrowings

The secured bank borrowings of the Group relate to bank overdrafts, short term and long term bank loans, of the subsidiary companies.

#### Facility 1

The bank overdraft is repayable on demand and bears interest at 2.00% (2006 : 2.00%) 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 2.00% (2006 : 2.00%) 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 2.00% (2006 : 2.00%) per annum above the bank's bill rate.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 19. Bank borrowings (cont'd)

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 \$553,000 as at 31 March 2007 (2006 : \$549,000);
- 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*

The short term bank loans are short term revolving loans with tenure of 3 or 6 months. Interest is payable at 1.75% (2006 : 1.75%) per annum above the bank's cost of funds.

The long term bank loans are repayable over quarterly instalments of between \$27,000 and \$50,000 with the last instalment on 30 June 2012. Interest is payable at the rate of between 1.80% and 2.00% (2006 : 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 \$4,013,000 as at 31 March 2007 (2006 : \$776,000) 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 32.

### 20. Loans from a minority shareholder of a subsidiary company

	Group	
	2007 \$'000	2006 \$'000
Current	–	76
Non-current	1,039	1,008
	<u>1,039</u>	<u>1,084</u>

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 20. Loans from a minority shareholder of a subsidiary company (cont'd)

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, or is subject to liquidation or similar proceedings, or if 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 of \$nil (2006 : \$76,000) 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.

### 21. Deferred tax (assets)/liabilities

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At beginning of financial year	(894)	(160)	65	72
Currency realignment	(46)	94	–	–
Written back during the financial year	370	(828)	(65)	(7)
At end of financial year	(570)	(894)	–	65
<b>Deferred tax liabilities</b>				
Excess of net book value over tax written down value of property, plant and equipment	530	223	–	–
Unrealised foreign exchange gain	242	71	–	–
Unremitted foreign income	–	198	–	87
Others	22	108	–	–
	794	600	–	87
<b>Deferred tax assets</b>				
Unabsorbed capital allowances and tax losses	(286)	(235)	–	–
Employee benefits	(403)	(408)	–	(22)
Unrealised foreign exchange loss	(157)	(151)	–	–
Other provisions	(488)	(471)	–	–
Others	(30)	(229)	–	–
	(1,364)	(1,494)	–	(22)
	(570)	(894)	–	65

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 21. Deferred tax (assets)/liabilities (cont'd)

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

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deferred tax assets	(1,146)	(1,148)	–	–
Deferred tax liabilities	576	254	–	65
Deferred tax (assets)/liabilities, net	(570)	(894)	–	65

### 22. Provisions

The amount represents the present value of the estimated costs that will be incurred to reinstate the leased premises to their original condition upon the expiry of the leases at various dates till 2036.

Movements in provisions for reinstatement of leased premises are as follows :

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At beginning of financial year	123	–	–	–
Currency realignment	5	–	–	–
Provisions made during the year	61	123	61	–
Accretion of interest	7	–	1	–
At end of financial year	196	123	62	–

The provisions are based on quotations received from contractors. Assumptions made by management included variables such as inflation rate and discount rate used to calculate the provisions. As such, the actual amounts eventually paid out could be different from the above provisions due to changes in the variables.

### 23. Share capital

	Group and Company			
	Ordinary shares issued and fully paid		Treasury shares	
	No. of shares '000	\$'000	No. of shares '000	\$'000
At 1 April 2005	95,445	23,861	–	–
Transfer of share premium to share capital	–	4,265	–	–
At 31 March 2006	95,445	28,126	–	–
Share buyback - held as treasury shares	–	–	(4,000)	(1,599)
Issuance of ordinary shares pursuant to exercise of options	–	–	37	14
At 31 March 2007	95,445	28,126	(3,963)	(1,585)

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 23. Share capital (cont'd)

Pursuant to the share buyback mandate approved by shareholders on 21 July 2006, the Company purchased 4,000,000 of its ordinary shares during the financial year. These shares are held as treasury shares by the Company. The shares were acquired by way of market acquisitions for a total consideration of \$1,599,000.

During the financial year, 37,000 ordinary shares were transferred out of treasury shares held by the Company upon the exercise of share options at the exercise price of \$0.30 per share.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company except that no dividend may be paid, and no other distribution of the Company's assets may be made to the Company in respect of treasury shares.

All ordinary shares carry one vote per share without restriction, except for treasury shares which have no voting rights.

Under the Singapore Companies Act, Cap 50, on 30 January 2006, the concepts of "par value" and "authorised capital" were abolished 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 30.

### 24. Reserves

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Distributable reserves				
- Retained earnings	10,886	8,044	6,510	2,145
- Foreign currency translation reserve	2,031	662	-	-
Fair value adjustment reserve	17,526	15,421	-	-
Other reserve	(3)	-	(3)	-
	<u>30,440</u>	<u>24,127</u>	<u>6,507</u>	<u>2,145</u>

#### **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.

#### **Other reserve**

Other reserve relates to the loss on the transfer of treasury shares, upon the exercise of share options by employees.

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

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 25. 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 \$658,000 (2006 : \$642,000). The minority shareholder's deemed obligations to share in such deficit are detailed in Note 20.

### 26. Dividends

	Group and Company	
	2007 \$'000	2006 \$'000
Paid in respect of the previous financial year :		
- Final dividend of 1.5 cents per ordinary share, less tax (2006 : 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 (2006 : 1.0 cent per ordinary share, less tax)	732	764
	<u>1,877</u>	<u>1,909</u>
After the balance sheet date, the Directors proposed the following dividends :		
Final dividend of 1.5 cents per ordinary share, less tax (2006 : 1.5 cents per ordinary share, less tax)	1,125	1,145

Proposed dividend is calculated based on total ordinary shares issued as at 4 June 2007.

The proposed dividends in respect of the current financial year will be recorded as a liability on the balance sheets of the Company and the Group upon approval of the shareholders at the next Annual General Meeting of the Company.

### 27. Commitments and contingencies

#### *Operating leases*

The Group leases certain properties for its operations under lease agreements that are non-cancellable. The leases expire at various dates till year 2036 with the property leases containing 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	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Within one year	1,334	1,183	191	227
After one year but not more than five years	2,320	2,590	789	572
More than five years	7,465	295	7,465	–
	<u>11,119</u>	<u>4,068</u>	<u>8,445</u>	<u>799</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 27. Commitments and contingencies (cont'd)

### Capital expenditure

As at the end of the financial year, the Group had the following capital expenditure commitments for the acquisition of property, plant and equipment :

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Authorised but not committed	4,691	822	298	137
Authorised and committed	1,878	3,264	664	–
	<u>6,569</u>	<u>4,086</u>	<u>962</u>	<u>137</u>

### Contingent liabilities

- (i) As at 31 March 2007, the corporate guarantees provided by the Company to banks for facilities extended to subsidiary companies amounted to \$23,425,000 (2006 : \$22,632,000).

The corporate guarantees had not been recognised by the Company as management has assessed the fair value of the corporate guarantees to be immaterial.

- (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 ("2002 Turbocharger"). The turbocharger was destroyed in an incident in early February 2003 and CSR contracted with MTQES to provide a replacement turbocharger ("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 \$629,874) plus interests and costs.

CSR has defended the proceedings and CSR and Cement Australia (Goliath) Pty Ltd ("Cement Australia") have filed an amended counterclaim against MTQES for loss and damage of approximately A\$871,544 (approximately \$1,062,412) suffered by CSR and Cement Australia, alleging that the turbochargers were not in conformity with the relevant contracts. CSR and Cement Australia are also claiming costs and interest. CSR and Cement Australia claimed that the turbochargers supplied by MTQES were not authentic and were not new and as a result the turbochargers have either failed or have to be removed from the relevant vessel. MTQES' supplier has denied the allegations in relation to the non-conformance and authenticity of the relevant turbocharger components. Each of the parties has delivered experts' reports and an experts' joint report has also been prepared by the experts and delivered to the Court. The Australian Transport Safety Bureau has also prepared a final report on the turbocharger failures.

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 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 the 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 \$121,900) per annum for the consultancy services, six monthly in arrears over 5 years, commencing 23 April 2004.

# NOTES TO THE FINANCIAL STATEMENTS

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(In Singapore dollars)

## 27. Commitments and contingencies (cont'd)

### *Other commitments (cont'd)*

(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 \$13,578,000 (2006 : \$14,676,000).

## 28. Information by segment on the Group's operations

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

(i) *Investment holding*

Holds investments and provides management and corporate services to its subsidiary companies. It also derives dividend and rental income from its subsidiary companies and quoted investments. 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 servicing, manufacturing, assembly and fabrication 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"), a company domiciled in Australia. During the previous financial year, the Group's shareholding in RCR was diluted below 20% and accordingly, the investment in RCR ceased as an associated company and was 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. The Group sold its ROV assets during the previous financial year and has wound down the ROV operations.

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

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 28. Information by segment on the Group's operations (cont'd)

#### By industrial segments

2007

	Continuing operations						Discontinued operations	Total Consolidated
	Investment Holding	Oilfield Engineering	Engine Systems	Others	Eliminations	Total	Subsea Robotics	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue and expenses</b>								
External sales	–	31,962	35,551	–	–	67,513	403	67,916
Inter-segment sales	3,692	1,661	91	–	(5,444)	–	–	–
Total sales	3,692	33,623	35,642	–	(5,444)	67,513	403	67,916
Segment results	265	7,418	(847)	(22)	707	7,521	(38)	7,483
Interest income						80	–	80
Finance costs						(1,204)	–	(1,204)
Taxation						(1,612)	(42)	(1,654)
Net profit/(loss) for the financial year						4,785	(80)	4,705
<b>Assets and liabilities</b>								
Segment assets	37,572	25,438	25,788	3	(13)	88,788	83	88,871
Deferred tax assets						1,146	–	1,146
Tax recoverable						94	–	94
Total assets						90,028	83	90,111
Segment liabilities	(1,331)	(4,887)	(7,278)	(9)	–	(13,505)	(50)	(13,555)
Provision for taxation						(942)	–	(942)
Deferred tax liabilities						(480)	(96)	(576)
Bank borrowings						(17,676)	–	(17,676)
Loans from a minority shareholder of a subsidiary company						–	(1,039)	(1,039)
Total liabilities						(32,603)	(1,185)	(33,788)

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 28. Information by segment on the Group's operations (cont'd)

#### By industrial segments

2007

	Continuing operations						Disconti- nued operations	Total Conso- lidated \$'000
	Investment Holding	Oilfield Engineering	Engine Systems	Others	Elimi- nations	Total	Subsea Robotics	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Other segmental information</b>								
Capital expenditure	492	4,310	320	–	–	5,122	–	5,122
Depreciation	408	1,205	1,333	–	(1)	2,945	–	2,945
Other non-cash expenses/ (income):								
- Loss/(gain) on sale of property, plant and equipment	6	(16)	(36)	–	(2)	(48)	–	(48)

#### By geographical segments

2007

	Singapore \$'000	Australia \$'000	Indonesia \$'000	Malaysia \$'000	United Kingdom \$'000	Total \$'000
External sales	32,365	35,151	400	–	–	67,916
Segment assets	43,684	44,570	614	3	–	88,871
Capital expenditure	4,802	302	18	–	–	5,122

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 28. Information by segment on the Group's operations (cont'd)

#### By industrial segments

2006

	Continuing operations							Disconti- nued operations	Total Conso- lidated \$'000
	Investment Holding	Oilfield Engineering	Engine Systems	Multi- Disciplined Engineering	Others	Elimi- nations	Total	Subsea Robotics	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Revenue and expenses</b>									
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	(4,395)	–	(47)	2,453	1,986	(679)	1,307
Gain on disposition	–	–	–	–	–	–	–	560	560
	(200)	4,175	(4,395)	–	(47)	2,453	1,986	(119)	1,867
Interest income							87	–	87
Finance costs							(1,007)	(131)	(1,138)
Share of results of associated company				3,150			3,150	–	3,150
Taxation							(522)	760	238
Net profit for the financial year							3,694	510	4,204
<b>Assets and liabilities</b>									
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)

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 28. Information by segment on the Group's operations (cont'd)

#### By industrial segments

2006

Continuing operations							Discontinued operations	Total Consolidated \$'000
Investment Holding \$'000	Oilfield Engineering \$'000	Engine Systems \$'000	Multi-Disciplined Engineering \$'000	Others \$'000	Eliminations \$'000	Total \$'000	Subsea Robotics \$'000	

#### 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

2006

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

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 29. Subsidiary companies

The subsidiary companies as at 31 March are :

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
		2007 \$'000	2006 \$'000	2007 %	2006 %
MTQ Engineering Pte Ltd (Republic of Singapore)	Providing engineering and manufacturing services to the oil and gas industry (Republic of Singapore)	1,312	1,312	100	100
MTQ Equipment Rental Pte. Ltd. (Republic of Singapore)	Providing oilfield equipment rental services (Republic of Singapore)	5,678	6,112	100	100
MTQ Fabrication Pte. Ltd. (formerly known as Metalock Engineering Pte Ltd) (Republic of Singapore)	Providing oilfield fabrication services (Republic of Singapore)	37	37	100	100
MTQ Investments Pte. Ltd. (Republic of Singapore)	Investment holding (Republic of Singapore)	542	542	100	100
MTQ Subsea Technology Pte Ltd (Republic of Singapore)	Inactive (Republic of Singapore)	4,679	4,679	77.5	77.5
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
		<u>27,131</u>	<u>27,565</u>		

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 29. Subsidiary companies (cont'd)

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group		
		2007 \$'000	2006 \$'000	2007 %	2006 %	
Unquoted equity shares held by subsidiary companies :						
iv	MTQ Subsea Limited (United Kingdom)	Under liquidation (United Kingdom)	1,734	1,734	77.5	77.5
iv	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		

i Audited by Ernst & Young, Australia

ii Audited by Purwantono, Sarwoko & Sandjaja, Indonesia, a member firm of Ernst & Young Global

iii Audited by Ernst & Young, Malaysia

iv Not required to be audited under the law in its country of incorporation

◆ 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

## 30. Employee benefits

### *Employee share option plans*

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 Subsea Scheme had been cancelled with effect from 1 June 2007.

### 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 :

Huang Yuan Chiang                      (Chairman)  
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.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 30. 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 options 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 may be granted during any other period specified by the Directors 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 Market Price (as defined below) can only be exercised after the second anniversary of the date of grant.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 30. Employee benefits (cont'd)

#### (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 2007	Weighted average exercise price per share as at 31.3.2007	No. of options 2006	Weighted average exercise price per share as at 31.3.2006
At beginning of financial year	2,111,000	\$0.40	2,661,000	\$0.39
Exercised	(37,000)	\$0.30	–	\$0.30
Lapsed/Cancelled	(295,000)	\$0.43	(550,000)	\$0.37
	<hr/>		<hr/>	
At end of financial year	<u>1,779,000</u>	\$0.39	<u>2,111,000</u>	\$0.40

Under the transitional provisions of FRS 102, these options have not been recognised as they 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 2007 was \$0.40.

The following table summarises information about options outstanding and exercisable as at 31 March 2007 to subscribe for ordinary shares in the Company :

Date of grant	No. of options outstanding	Exercise price per share	Exercise period		No. of options exercisable
			From	To	
16.10.2000	509,000	\$0.30	17.10.2002	15.10.2010	509,000
31.07.2003	340,000	\$0.43	01.08.2004	30.07.2008	340,000
31.07.2003	930,000	\$0.43	01.08.2004	30.07.2013	930,000
	<hr/>				<hr/>
	<u>1,779,000</u>				<u>1,779,000</u>

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 30. Employee benefits (cont'd)

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 Act, Cap 50, will not affect the terms of options granted under the Subsea Scheme.

	No. of options 2007	Weighted average exercise price per share as at 31.3.2007	No. of options 2006	Weighted average exercise price per share as at 31.3.2006
At beginning of financial year	45,000	\$1.20	119,740	\$1.20
Lapsed/cancelled	(45,000)	\$1.20	(74,740)	\$1.20
At end of financial year	–	\$1.20	45,000	\$1.20

There are no options outstanding or exercisable under the Subsea Scheme as at 31 March 2007.

### 31. Related party disclosure

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*

The following significant transactions between the Company and related parties took place during the financial year on terms agreed between the parties:

	2007 \$'000	2006 \$'000
Subsidiary companies		
- Consultancy and management fees	2,358	2,058
- Rental	1,334	928
- Loans (received)/provided, net	(313)	1,410
- Others	97	207

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 31. Related party disclosure (cont'd)

#### (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 financial year.

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

### 32. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivative financial instruments and investment securities, comprise bank loans and overdrafts, loans from a minority shareholder of a subsidiary company, amounts owing (to)/from subsidiary companies, and cash. The main purpose of these financial instruments is to finance 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 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 changes in interest rates 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 32. Financial risk management objectives and policies (cont'd)

#### *Interest rate risk (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	Interest rate per annum	Total	Within 1 year	1-5 years	More than 5 years
		\$'000	\$'000	\$'000	\$'000
<b>2007</b>					
<u>Financial assets</u>					
Cash at bank	0.01%-4.35%	1,976	1,976	–	–
<u>Financial liabilities</u>					
Bank overdrafts					
- S\$ facility – unsecured	6.00%	(254)	(254)	–	–
- A\$ facility – secured	10.75%-11.00%	(2,047)	(2,047)	–	–
		(2,301)	(2,301)	–	–
Short term bank loans					
- S\$ facility – unsecured	4.72%-5.19%	(3,000)	(3,000)	–	–
- S\$ facility – secured	4.81%-5.54%	(600)	(600)	–	–
- US\$ facility – unsecured	8.75%-9.00%	(610)	(610)	–	–
- A\$ facility – secured	7.93%-8.76%	(1,404)	(1,404)	–	–
		(5,614)	(5,614)	–	–
Long term bank loans					
- S\$ facility – unsecured	5.12%-5.23%	(560)	(85)	(475)	–
- S\$ facility – secured	5.11%-5.78%	(3,825)	(985)	(2,840)	–
- A\$ facility – secured	7.91%-8.77%	(5,376)	(878)	(3,511)	(987)
		(9,761)	(1,948)	(6,826)	(987)
Total financial liabilities		(17,676)	(9,863)	(6,826)	(987)
Net financial liabilities		(15,700)	(7,887)	(6,826)	(987)

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 32. Financial risk management objectives and policies (cont'd)

#### *Interest rate risk (cont'd)*

Group	Interest rate per annum	Total \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>2006</b>					
<u>Financial assets</u>					
Cash at bank	1.69%-5.20%	2,437	2,437	–	–
<u>Financial liabilities</u>					
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)

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 32. Financial risk management objectives and policies (cont'd)

#### *Interest rate risk (cont'd)*

Company	Interest rate per annum	Total \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>2007</b>					
<u>Financial liabilities</u>					
Bank overdraft					
- S\$ facility - unsecured	6.00%	(254)	(254)	-	-
Short term bank loan					
- S\$ facility - unsecured	4.72%-5.19%	(3,000)	(3,000)	-	-
		(3,254)	(3,254)	-	-
<b>2006</b>					
<u>Financial liabilities</u>					
Bank overdraft					
- S\$ facility - unsecured	6.00%	(700)	(700)	-	-

Interest on financial instruments which are all subject to floating interest rates, is contractually re-priced 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, Japanese yen and United States dollars.

The Group has transactional currency exposures. Such exposure arises from the sales and purchases by its operating units in currencies other than their respective functional currency.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 32. Financial risk management objectives and policies (cont'd)

#### ***Foreign currency risk (cont'd)***

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.

#### ***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. The receivables are also monitored on an ongoing basis. No other financial assets carry a significant exposure to credit risk. The Group has no significant concentration of credit risk.

### 33. Financial instruments

#### ***Fair values***

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in 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 values 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, current trade and other payables, other liabilities and bank borrowings reasonably approximate their fair values because these are mostly short term in nature or are re-priced frequently.

Long term receivables are carried at amortised costs and this carrying amount approximates fair value.

#### ***Financial instruments whose fair values are not determinable***

The fair value of non-current amounts due from/(to) subsidiary companies, and loans from a minority shareholder of a subsidiary company, are not determinable as the timing of the future cash flows arising from the repayment cannot be determined reliably.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

(In Singapore dollars)

### 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.

	<b>Group</b>	
	<b>Restated 2006 \$'000</b>	<b>2006 \$'000</b>
<b>Current liabilities</b>		
Trade and other payables	(12,941)	(13,064)
<b>Non-current liabilities</b>		
Provisions	<u>(123)</u>	<u>–</u>

### 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 2007 were authorised for issue in accordance with a resolution of the Directors on 4 June 2007.

## SHAREHOLDING STATISTICS

As at 15 June 2007

Issued and fully paid-up capital	: S\$28,126,000
Class of shares	: Ordinary shares
Voting rights	: One vote per share (not applicable to treasury shares)

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	9	0.89	3,932	0.00
1,000 - 10,000	717	70.64	3,591,648	3.76
10,001 - 1,000,000	275	27.09	17,388,492	18.22
1,000,001 and above	14	1.38	74,460,928	78.02
	1,015	100.00	*95,445,000	100.00

\* Includes 3,963,000 ordinary shares held as treasury shares as at 15 June 2007.

### SUBSTANTIAL SHAREHOLDERS AS AT 15 JUNE 2007

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Kuah Kok Kim	1,059,000	1.16	19,164,000	20.95
Kurt R M Lindblad	17,887,652	19.55	-	-
Tai Tak Securities Pte Ltd	7,900,000	8.64	-	-
Singapore Warehouse Company (Private) Limited	5,500,000	6.01	-	-
Hwa Hong Corporation Limited <sup>1</sup>	-	-	5,500,000	6.01
Ong Holdings (Private) Limited <sup>2</sup>	-	-	5,500,000	6.01

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

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

Note: The above percentage is calculated based on the Company's issued share capital of 91,482,000 shares excluding treasury shares.

## SHAREHOLDING STATISTICS

As at 15 June 2007

### TOP TWENTY SHAREHOLDERS

Name of Shareholders	No. of Shares	%
HSBC (Singapore) Nominees Pte Ltd	20,861,000	21.86
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
UOB Kay Hian Pte Ltd	5,076,000	5.32
MTQ Corporation Limited (held as treasury shares arising from the Company's share buyback)	3,963,000	4.15
DBS Nominees Pte Ltd	2,427,000	2.54
Citibank Nominees Singapore Pte Ltd	2,412,000	2.53
United Overseas Bank Nominees Pte Ltd	1,876,000	1.97
Mayban Nominees (S) Pte Ltd	1,800,000	1.89
Francis James Reidy	1,375,000	1.44
OCBC Securities Private Ltd	1,262,276	1.32
Tan Kah Boh Robert	1,062,000	1.11
Kuah Kok Kim	1,059,000	1.11
OCBC Nominees Singapore Pte Ltd	883,000	0.93
Keppel Investment Ltd	850,000	0.89
CIMB-GK Securities Pte. Ltd.	788,000	0.82
Fong Soon Yong	548,000	0.57
Lock Hong Cheong	522,492	0.55
Wong Peng Onn	481,000	0.50
<b>Total</b>	<b>78,533,420</b>	<b>82.28</b>

### SHAREHOLDINGS HELD IN PUBLIC'S HANDS

As at 15 June 2007, 38.29% 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 38th Annual General Meeting of MTQ Corporation Limited (“the Company”) will be held at Carlton Hotel, Empress Room 1, Level 2, 76 Bras Basah Road, Singapore 189558, on Monday, 23 July 2007 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 2007 together with the Independent Auditors’ Report thereon. **(Resolution 1)**
2. To declare a final dividend of \$0.015 per ordinary share less tax for the financial year ended 31 March 2007. *(2006: \$0.015 per ordinary share less tax).* **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to Articles 91 and 97 of the Company’s Articles of Association:  
  
Mr. Huang Yuan Chiang [Retiring under Article 91] **(Resolution 3)**  
Mr. Kuah Boon Wee [Retiring under Article 97] **(Resolution 4)**  
  
Mr. Huang will, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Huang will be considered as an independent Director.
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 *(2007: S\$165,000)* for the financial year ending 31 March 2008, to be paid quarterly in arrears. [See Explanatory Note (i)] **(Resolution 6)**

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

### 7. **Authority to 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 (SGX-ST), the Directors be authorised and empowered to:

- (a) (i) issue shares in the Company (“shares”) whether by way of rights, or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
- (b) new shares arising from the exercising of share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
- (c) any subsequent consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST) and the Articles of Association of the Company; and
- (4) unless revoked or varied by the Company in general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments. [See Explanatory Note (ii)] **(Resolution 7)**

**8. Authority to 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 offer and grant options under The MTQ Corporation Executives' Share Option Scheme 2003 ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional 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 from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company 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 (iii)] **(Resolution 8)**

By Order of the Board

Fong Choon Seng  
Susie Low Geok Eng  
Joint Company Secretaries  
Singapore, 6 July 2007

## **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 2008 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 such authority is varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the issued shares in the capital of the Company of which up to 20% may be issued other than on a pro-rata basis to existing shareholders.

For determining the aggregate number of shares that may be issued, 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 such authority is varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) fifteen per centum (15%) of the issued shares in the capital of the Company from time to time.

## **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.

**MTQ CORPORATION LIMITED**

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

**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.

**PROXY FORM**

(Please see notes overleaf before completing this Form)

I/We, \_\_\_\_\_

of \_\_\_\_\_

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

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 Carlton Hotel, Empress Room 1, Level 2, 76 Bras Basah Road, Singapore 189558 on Monday, 23 July 2007 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 financial year ended 31 March 2007		
2	Payment of proposed final dividend		
3	Re-election of Mr. Huang Yuan Chiang as a Director		
4	Re-election of Mr. Kuah Boon Wee as a Director		
5	Re-appointment of Messrs Ernst & Young as Auditors		
6	Approval of Directors' fees for FY2008 amounting to S\$165,000		
7	Authority to issue new shares		
8	Authority to issue shares under The MTQ Corporation Executives' Share Option Scheme 2003		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2007

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

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**Notes :**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint a proxy or proxies to attend and vote 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, Cap. 50 of Singapore.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Affix  
Postage  
Stamp

The Company Secretary  
**MTQ CORPORATION LIMITED**  
182 Pandan Loop  
Singapore 128373

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## MTQ CORPORATION LIMITED

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

# SURVEY FORM

We hope you have enjoyed reading our Annual Report 2006/2007. 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=Strongly Agree

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

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

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

Other Information	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:					

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Affix  
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The Company Secretary  
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182 Pandan Loop  
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