

Yet again, we have traversed a year of accomplishments. Amid a period of global economic uncertainty, we have successfully demonstrated our capacity to tap more opportunities and create greater possibilities. Moving ahead, we strive to yield long-term returns particularly through these strategic expansion efforts.



# Profile

Established since 1959, MTQ Corporation Limited is a premier integrated engineering solutions provider in the region, and specialises in two major business segments: Oilfield Engineering and Engine Systems. The Group was listed on SGX SESDAQ in 1988 and upgraded to SGX Mainboard in 1999.

Driven by its wholly owned subsidiary MTQ Engineering Pte Ltd in Singapore, the Oilfield Engineering segment is primarily involved in oilfield equipment repairs and rental operations to a wide range of customers in the Oil and Gas industry, such as Original Equipment Manufacturers (OEM), drilling contractors, rig owners, oil companies and service companies. MTQ Engineering Pte Ltd is also the authorised repair workshop for OEMs such as Cooper Cameron, Varco-Shaffer and QVM.

Through its wholly owned subsidiary MTQ Engine Systems (Aust) Pty Ltd, the Group is also the largest authorised aftermarket distributor and repair services provider of turbochargers and diesel fuel injection systems in Australia with a nationwide network of ten branches representing world renowned brands such as Bosch, IHI, Garrett, Denso and Schwitzer.

# Vision

To be the leader in the fields that we operate.

# Mission

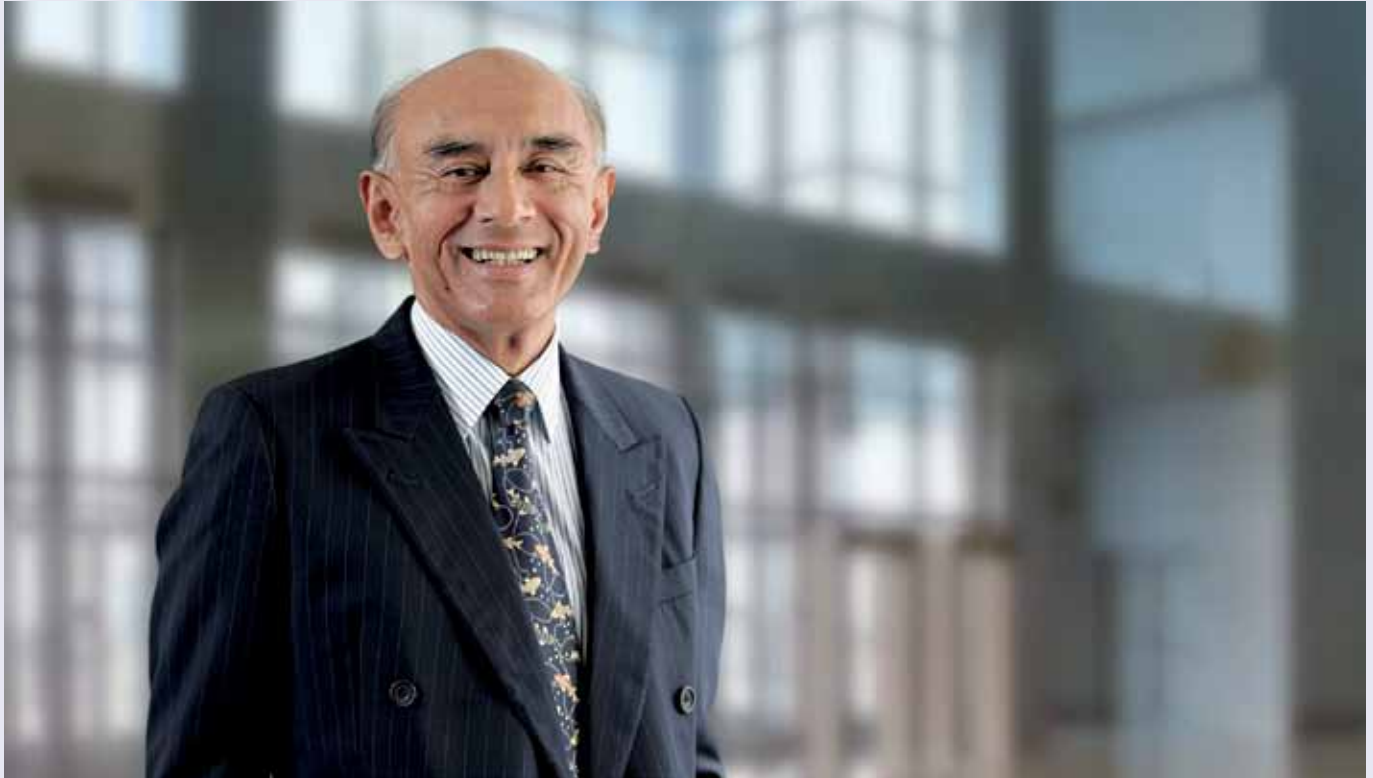
Provide our customers service quality, our employees job satisfaction and our shareholders return on their investments of a level which meets and surpasses their expectations.

## Core Values

### STAR

be **S**incere in all our intentions  
be **T**ransparent in all that we do  
be **A**lert to the needs of others  
be **R**esponsible in delivering

## Chairman's Statement



For the financial year ended 31 March 2010 ("FY2010"), we are pleased with the Group's performance especially in such volatile times. Despite the decrease in Group revenue by 8.8% to S\$81.97 million, the Group recorded a total net profit attributable to shareholders of S\$12.03 million, up 9.6% from the previous financial year. Excluding the one-off gain from the disposal of quoted investments and the exceptional payments from the Jobs Credit Scheme, the combined net profit achieved by the Group was S\$9.91 million, a decrease of 9.1%.

### Oilfield Engineering Division

The mainstay Oilfield Engineering Division reported a turnover of S\$40.33 million, a decline of 27.2% due to weaker markets, especially in the new manufacturing segment.

For the coming financial year, we expect the favourable outlook for oil and gas exploration activities to trigger an increased demand for our engineering and repair services.

### Engine Systems Division

On the back of better than anticipated market conditions in Australia, we saw encouraging growth in the Engine Systems business. Coupled with the efforts to streamline its operations in recent years, our operations in Australia recorded a significant improvement in both top line and bottom line performance. Revenue grew by 17.5%, while operating profit in FY2010 increased by 19.6% on the back of better gross profit margins and effective cost control.

As we continue to expand our product and service offerings to reach new and existing customers, we are cautiously optimistic that the Engine Systems Division will continue to contribute positively to Group performance.

### Expansion in Bahrain

As part of our Greenfield venture in the Middle East, we commenced the construction of our new facility in Bahrain in February 2010. Once the first phase of the development is completed, we anticipate that operations will begin by early 2011.

This investment has proven to be timely as market conditions in the Middle East have improved favourably with significant increase in drilling activities throughout the entire region.

## Chairman's Statement

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Although the Bahrain venture will contribute significantly to MTQ's future profitability, we expect that there will be initial startup costs in the first one to two years of the project. As we progress further, I am confident that we can take advantage of the vast market opportunities in the Middle East capitalising on our many years of experience, technical knowhow and our core competencies. Having said that, we will need to train our new workforce to maintain the quality standard that our customers have come to expect from us. This will result in additional costs which we will seek to mitigate through better planning and co-ordination.

### New Group CEO

Succession planning has always been an issue of utmost importance for our Board. To position the Group for our next phase of growth, the Board has appointed Mr. Kuah Boon Wee to be our new CEO with effect from 1st July 2010.

With his many years of senior management in large diverse corporations, we are confident that he will take MTQ to a higher level of performance.

It is my intention to remain as Executive Chairman for a transition period specially to ensure the successful establishment of our Bahrain operations before relinquishing my executive involvement with the Group.

### Prospects

Our twin engines of growth within MTQ are expected to continue to perform well in the coming financial year. Our biggest challenge lies in containing the startup costs of our Bahrain operations to maximise overall Group profitability.

### Dividends

The Board is recommending a tax-exempt (one-tier) final dividend of 2.0 Singapore cents per ordinary share for FY2010, subject to shareholders' approval to be obtained at the forthcoming Annual General Meeting, bringing the total full year tax-exempt (one-tier) dividend to 3.0 Singapore cents.

### Appreciation

The Group would not have been able to achieve the above results without the support and co-operation from our customers, business partners, shareholders as well as the hard work and dedication of our directors, management team and all staff members of the Group. I would like to say a big thank you!

### Kuah Kok Kim

*Chairman & CEO*

*4 June 2010*

## Board of Directors



from left to right: **Kuah Kok Kim, Kuah Boon Wee, Ho Han Siong Christopher**

### **Kuah Kok Kim**

*Executive Chairman (effective 1 July 2010)*

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-elected as Director at MTQ's Annual General Meeting on 23 July 2008. 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.

### **Kuah Boon Wee**

*Chief Executive Officer (effective 1 July 2010)*

Mr. Kuah joined the Board on 10 October 2006 and was re-elected as Director at MTQ's Annual General Meeting on 23 July 2007. A UK qualified chartered accountant by training with a university degree in mechanical engineering, he was previously a senior management executive of PSA International Pte Ltd. He had served as CEO for South East Asia and Singapore Terminals as well as Group CFO of PSA. He had also served as CFO for Singapore Technologies Engineering, a major listed company on the Singapore Stock Exchange and had previously worked in senior management positions in Hong Kong and Australia.

### **Ho Han Siong Christopher**

*Non-executive Director*

Mr. Ho joined the Board as a Director on 30 October 2007 and was last re-elected as Director at MTQ's Annual General Meeting on 23 July 2008. Mr. Ho is currently the Vice-President for Investments in the Tai Tak Group, namely Providence Investments Pte Ltd and Tai Tak Securities Pte Ltd. He also sits on the board of several privately owned companies in Singapore and has also co-founded two IT companies, spin-offs from a Singapore Government R&D research institute.

Mr. Ho graduated from the University of Wisconsin at Madison, USA, in 1989, with a double degree in Computer Engineering and Computer Science.

## Board of Directors



from left to right: **Ong Choo Eng**, **Ian Wayne Spence**, **Huang Yuan Chiang**

### Ong Choo Eng

*Non-executive Director*

Mr. Ong joined the Board since 9 September 1997 and was last re-appointed as Director at MTQ's Annual General Meeting on 23 July 2009. 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 the Singapore Reinsurance Corporation Limited and is a member of the Executive, Investment, Audit, Nominating and Remuneration Committees.

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

*Independent Director*

Mr. Spence joined the Board on 15 January 2002 and was last re-elected at MTQ's Annual General Meeting on 23 July 2008. He is Chairman of the Audit Committee, and a member of the Remuneration Committee.

Mr. Spence, a Singapore permanent resident, also sits on the boards of several public and private companies in Australia and Singapore.

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

### Huang Yuan Chiang

*Independent 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 23 July 2009. He is Chairman of the Remuneration Committee, and a member of the Audit Committee.

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

Apart from the company, Mr. Huang sits on the boards of other listed companies in Singapore and Malaysia, including Omega Navigation Enterprises Inc, Mercator Lines (Singapore) Limited, Kuchai Development Bhd, Sungei Bagan Rubber Company (Malaysia) Bhd and Kluang Rubber Company (Malaysia) Bhd.

Mr. Huang has degrees in Economics and Law.

## Senior Management



from left to right: **Les Healey**, **Kuah Boon Wee**, **Peter Lock**, **Kuah Kok Kim**, **William Fong**, **Elsie Low**

### **Kuah Kok Kim**

*Executive Chairman (effective 1 July 2010)*

### **Kuah Boon Wee**

*Chief Executive Officer (effective 1 July 2010)*

### **Corporate Office**

#### **William Fong Choon Seng**

*Group Financial Controller*

Mr. 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. He has about 21 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).

#### **Elsie Low**

*Group Human Resource and Admin Manager*

Ms Low has more than 20 years' experience in the area of human resource management and accounting. She has worked in local and multinational corporations in diverse industries. She holds a Masters in Business Administration (Finance) Degree from University of Leicester and a Bachelor of Business Administration (Human Resource) Degree.

#### **Shirley Ong Kim Geok**

*MIS Manager*

### **Oilfield Engineering Division**

#### **Peter Lock Hong Cheong**

*Managing Director*

Mr. 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 25 years in MTQ, he had built up the oilfield engineering business to its present size and performance, through the implementation of an aggressive marketing policy of pursuing strategic alliance with OEMs and stringent emphasis on work efficiency and quality. He was appointed as Managing Director of MTQ Engineering Pte Ltd in May 2003.

#### **Lai Chee Keong**

*Senior Engineering Manager*

#### **Teo Choon Kian**

*Senior Sales Manager*

### **Engine Systems Division**

#### **Les Healey**

*Managing Director*

Mr. Healey was appointed to MTQ Engine Systems (Aust) Pty Ltd in September 2004. He 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, he was General Manager of a Repco Group Company – Ashdown and was part of the senior management team responsible for the listing of the Group on the Australian Stock Exchange. He has a Bachelors degree from the University of Queensland in Arts and Economics.

#### **Mark Mackerras**

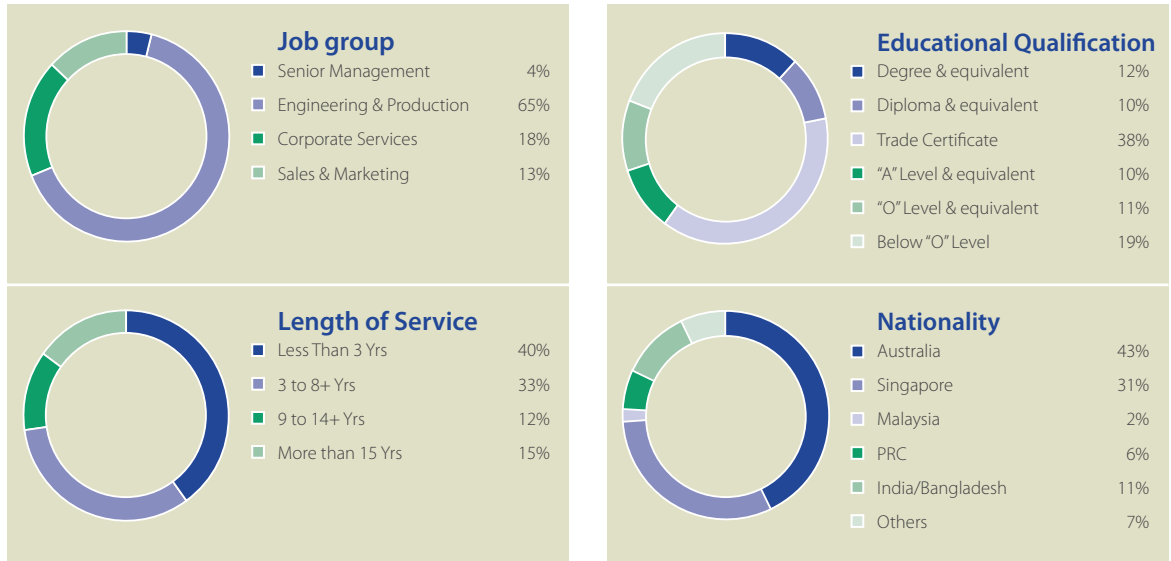
*Financial Controller*

#### **Paul Wilkey**

*National Sales Manager*



# Human Capital



At MTQ, we recognise that one of the business foundations is our people. Our focus is to anticipate, engage, enable and empower our employees so that we could build a High Performance Work force. Our Human Resource long term strategic objective is to be an Employer of Choice within the fields we operate. This could be in Singapore, Australia and Bahrain.

For example, in Australia, MTQ offers e-learning to employees with a selection of 29 short business courses which can be completed in 2-4 hours within a 30 day access period. These self-passed courses are made up of learning modules which have interactive components and case studies included. MTQ Australia also provides a 3.5 years Apprenticeship program where staff goes to the local TAFE College for some day course lessons and returns to the office for hands-on job training. This is a useful tool to create a long term working relationship with the college and to recruit, train, develop and retain the individuals.

Work Health and Safety is paramount to all. Therefore, on a monthly basis, MTQ organises safety training and activities to enhance safety awareness, knowledge and skills.

MTQ subscribes to a Total Compensation and Benefits program where rewards and recognition are given to recruit, engage, motivate and retain individuals whose skills, values and inspirations are in congruent with our company's strategic vision and core values.



We believe in providing our employees job satisfaction. We provide an all-inclusive workplace where employees are given opportunities to excel in their careers and capabilities. We nurture our employees through job orientation, on-the-job training programme followed by learning and personal development courses, job rotation and overseas postings.

To attract future talents, MTQ continues to offer internships to tertiary students. The students are mentored and on-the-job training are provided to provide a realistic, structured and "real-life" training to them.

Besides work and training, the strength and rapport of MTQ lie in creating work-life balances for all employees. Staff welfare programmes, such as health screening, Get Fit – Walk, Jog and games encourage teamwork building and a time for bonding amongst employees.

# Treading the Frontiers

In spite of uncertainties, we have been focusing on bringing the company to the next level of success. Expanding regionally through forming partnerships, we anchor ourselves to wider markets for higher promising returns.

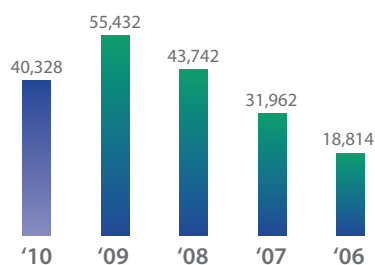


## Oilfield Engineering Division (Includes MTQ Oilfield Services W.L.L.)

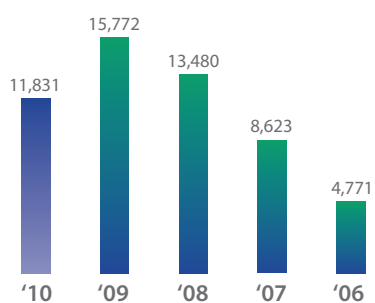


A staff operating a vertical turning machine at the workshop.

### Revenue S\$'000



### EBITDA S\$'000



Rebuilt and complete stack-up 18<sup>3</sup>/<sub>4</sub>" – 15,000 PSI Blowout Preventer for semi-submersible rig.

For the financial year ended 31 March 2010 ("FY2010"), the Oilfield Engineering Division experienced a slowdown in demand on the back of the global economic downturn. Despite a 27.2% decrease as compared to FY2009, the segmental revenue remained healthy at S\$40.33 million with commendable growth in gross profit margin. Among its business segments, revenue from the new oilfield equipment manufacturing declined due to softer demand during the year. The equipment repair business remained resilient, reporting revenue on par with FY2009 levels, while the contribution from fabrication and equipment rental business segments was lower by 23.8% as compared to FY2009.

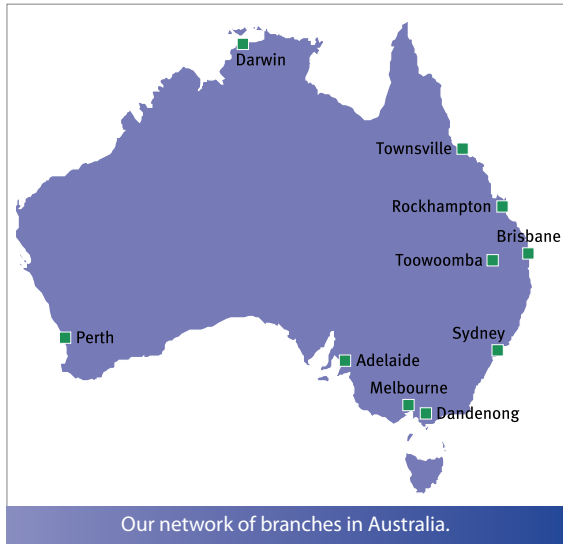
As we continue to see signs of economic recovery, the rise in oil prices has triggered a greater level of oil and gas related activities, which in turn spells favour for the products and services under the Oilfield Engineering Division. The Division will continue to focus on building up its core competences through effective cost management and efforts to improve the productivity of our skilled workforce to deliver the best possible quality in our products and services committed to our valuable customers.



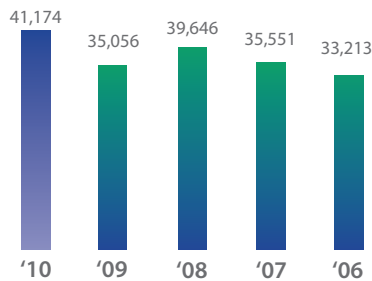
# Expanding Our Network

We have strategically chosen to align ourselves with world renowned manufacturers, in particular Robert Bosch of Germany to further strengthen our presence in Australasia.

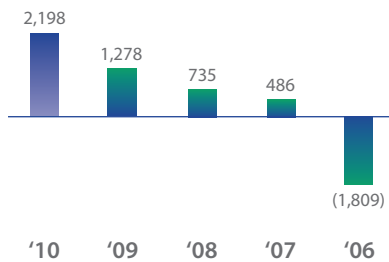
# Engine Systems Division



## Revenue S\$'000 \*



## EBITDA S\$'000 \*



\* Excludes the results of PT MTQ Engine Systems Indonesia which has been liquidated in FY2010.

FY2010 was a particularly successful year for the Australian business as we began to witness the fruition of the various initiatives implemented.

Under the Engine Systems Division, we recorded strong growth in each product segment. In-house remanufacturing of fuel injection and turbocharger componentary were up 44% and 34% respectively, and continued to show encouraging results coupled with a much improved service margin.

The year was marked by the launch and development of "Bosch Superstore" as a result of our strong and long standing business relationship with Bosch. The concept is unique as the first in Australia to offer a full range of Bosch automotive aftermarket products at a single location. The Bosch Superstore will help facilitate the introduction of our existing product portfolio to the aftermarket repairers network

especially when the diesel passenger vehicle population is growing dramatically due to economic and environmental factors.

With the recent acquisition of Premier Fuel Injection Pty Ltd, a diesel fuel injection operation in Darwin, we added the Northern Territory into our national network in Australia. This further provides a strong launching pad for the introduction of our range of small and large frame turbocharger products and services. We expect to see impressive growth in this part of the country as well as providing possible offshore opportunities in Papua New Guinea and Timor Leste.

The Australian economy has proven surprisingly resilient, paving the way for growth in the business for the upcoming financial year.



# Widening Our Horizons

Our wholly owned subsidiary, MTQ Oilfield Services W.L.L., is one of our key growth drivers moving ahead. Over the next two to three years, our investment in Bahrain will help us flourish, creating a door of opportunities to the Middle East markets in Saudi Arabia, Kuwait, Qatar and more.

## Bahrain Progress Report



Artist impression of the new Bahrain oilfield services facility.



On-going constructions at the Bahrain site.

### Commencement of Facility Construction in Bahrain

The plan to set-up the state-of-the-art facility in Bahrain is going smoothly and on schedule. A building contractor, Poullaides Construction Company W.L.L, has been formally appointed after a rigorous tender exercise and the construction work has commenced since.

The project will be carried out via two phases, of which the first phase would include the construction of a 2-storey workshop cum administrative block, which is targeted to be completed by end of December 2010. The planning for second phase will kick off after the expected commencement of initial operations in the beginning of 2011.

When fully completed, the facility will be approximately three times bigger than the Group's existing engineering site in Singapore, presiding over 40,000 square metre area of industrial land in the Bahrain International Investment Park on a 50-year lease term, effective from 30 August 2009. Equipped with a fleet of state-of-the-art machinery and adequately trained workforce, the facility will be providing a complete range of oilfield engineering, repair and refurbishment services to customers in the Middle East region, including the countries within the Gulf Cooperation Council.

### Prospects

The Bahraini authorities have shown strong commitment towards investing and growing the oilfields in the country. Tatweer Petroleum, a joint company between National Oil and Gas Authority of Bahrain, Occidental Petroleum Corporation and Mubadala Development Company, recently announced plans to develop Bahrain Oil Field in the next 20 years. Tatweer Petroleum is expected to raise oil production to 100,000 barrels per day and increase the natural gas reserves production capacity to eventually reach 2.2 billion cubic feet per day. The Group believes that this development will drive the demand for oilfield engineering solutions and provide an excellent opportunity for the Group to capture the lion's share of the lucrative expanding market segment.

Beyond Bahrain, the gulf region is also robust in the oil and gas sector particularly with increasing drilling activities based on renewed confidence in the oil prices. The setup of the new Bahrain facility will definitely also enhance the ability of the Group to capitalise on any such opportune situation that may arise in the future.

## Five-year Financial Profile

	2010	2009	2008	2007	2006
<b>For the year (in S\$'000)</b>					
Revenue	81,966	89,867	84,704	67,916	54,577
EBITDA	17,775	16,578	54,548	10,428	8,807
Profit before tax	14,317	13,745	51,230	6,359	3,966
Profit after tax	12,027	10,976	37,845	4,705	4,204
Profit attributable to shareholders	12,034	10,982	37,809	4,719	4,112
<b>At year end (in S\$'000)</b>					
Net current assets	44,796	35,263	39,448	8,637	7,032
Total assets	101,462	84,881	93,054	90,111	79,223
Total liabilities	28,146	28,051	36,548	33,788	27,612
Net (cash)/debt <sup>1</sup>	(16,402)	(17,321)	(28,684)	14,739	8,923
Shareholders' funds	73,988	57,495	57,165	56,981	52,253
Net tangible assets <sup>2</sup>	66,808	51,601	49,985	50,165	45,710
<b>Financial Ratios</b>					
Profit before tax margin (%)	17.47	15.29	60.48	9.36	7.27
Return on shareholders' funds (%) <sup>3</sup>	19.35	23.91	89.62	11.16	7.59
Interest cover (EBITDA / net interest expense) <sup>4</sup>	N.A.	N.A.	599.43 times	9.28 times	8.38 times
Net debt gearing ratio (%) <sup>5</sup>	N.A.	N.A.	N.A.	20.74	14.74
<b>Per Share data</b>					
Basic earnings (in cents) <sup>6</sup>	13.67	12.10	40.96	5.06	4.31
Net tangible assets (in cents) <sup>7</sup>	75.87	58.60	53.57	54.84	47.89
Gross dividend (in cents)	3.00	3.00	27.00	2.50	2.50
Gross dividend yield (%) <sup>8</sup>	3.90	6.00	50.47	6.41	7.69
Price at year-end (in cents)	77.00	50.00	53.50	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 taxation divided by shareholders' funds.

<sup>4</sup> Net interest expense refers to interest expense less interest income. This ratio is not applicable for 2010 and 2009 given that the Group's interest income exceeded its interest expense for the years ended 31 March 2010 and 31 March 2009 respectively.

<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 interest. This ratio is not applicable for 2010, 2009 and 2008 given that the Group's cash exceeded its gross debt as at 31 March 2010, 31 March 2009 and 31 March 2008 respectively.

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

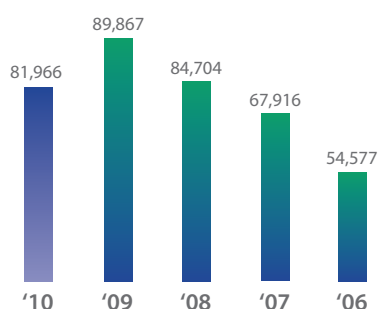
<sup>7</sup> Net tangible assets per share is defined as net tangible assets divided by total number of issued shares.

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

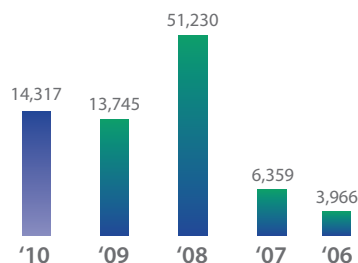


## Five-year Financial Profile

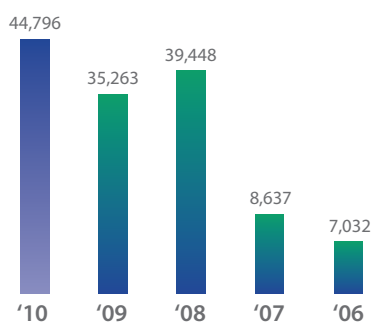
### Revenue (S\$'000)



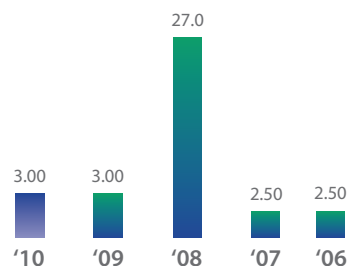
### Profit before tax (S\$'000)



### Net Current Assets (S\$'000)



### Gross Dividends Per Share (Cents)



## Half-yearly Results

		1H S\$'000	2H S\$'000	Total S\$'000
Revenue	2010	39,767	42,199	81,966
	2009	45,431	44,436	89,867
Profit before taxation	2010	8,470	5,847	14,317
	2009	8,472	5,273	13,745
Profit after taxation	2010	7,182	4,845	12,027
	2009	6,998	3,978	10,976
Profit attributable to shareholders	2010	7,185	4,849	12,034
	2009	7,002	3,980	10,982
Earnings per share (in cents)	2010	8.16	5.51	13.67
	2009	7.60	4.50	12.10

## Financial Review

### Revenue

The Group reported revenue of S\$81.97 million for the financial year ended 31 March 2010 ("FY2010"), a decline of S\$7.90 million or 8.8% from the S\$89.87 million achieved in the previous financial year.

The decline in revenue was primarily due to the Oilfield Engineering Division reporting softer demand for its products and services, particularly in the new manufacturing segment. The Division ended FY2010 with a total revenue of S\$40.33 million, a decrease of S\$15.10 million or 27.2% from FY2009.

On a more positive note, the Engine Systems Division recorded revenue growth of S\$6.12 million or 17.5% across its existing product segments in FY2010, which partially offset the decrease in revenue in the Oilfield Engineering Division.

### Profit

Notwithstanding lower revenue, the Group saw its profit from operating activities for FY2010 increase by S\$0.56 million or 4.0% to S\$14.48 million on the back of increases in gross profit and other income, offset partially by increases in staff costs and other operating expenses. Gross profit increased by 4.2% mainly due to reduced provisions for foreseeable losses as compared to FY2009. A specific provision of S\$1.57 million was made in FY2009, excluding this provision, gross profit for FY2010 would have decreased marginally by 0.6%.

Other income was mainly boosted by a S\$1.86 million gain on partial disposal of investment securities, higher dividend income and higher grant income received from the Jobs Credit Scheme in Singapore. The increase of 26.0% in other operating expenses in FY2010 was contributed mainly by a higher net provision for doubtful debts of S\$1.21 million compared to FY2009.

Decrease in taxation expense by 17.3% in FY2010 was mainly due to a write back of overprovision for current taxation in respect of previous financial years and timing differences on depreciation.

Overall, the Group reported a profit after tax of S\$12.03 million, an increase of S\$1.05 million or 9.6% from FY2009.

### Earnings Per Share

The basic and diluted earnings per share for FY2010 were 13.67 Singapore cents and 13.66 Singapore cents respectively, 13.0% higher than FY2009 mainly due to higher Group profit recorded for FY2010.

### Balance Sheet

The Group continued to maintain a strong balance sheet with total assets of S\$101.46 million at the end of FY2010, an increase of S\$16.58 million or 19.5% from the end of FY2009. Net assets also increased by S\$16.49 million or 29.0% from FY2009.

Increase in non-current assets was attributable to the increase in long term investments in quoted shares, higher capital expenditure on rental equipment in Singapore and construction of a new engineering facility in the Kingdom of Bahrain. The appreciation of the Australian dollar also boosted the overall value of the business assets and goodwill of the Engine Systems Division.

Current assets increased mainly due to higher inventories and trade and other receivables. Higher inventories arose from the new Bosch partnership and favourable currency movements. Higher collection days as at year end were responsible for the increase in trade and other receivables.

Current liabilities saw a slight increase as the increase in trade and other payables and provision of tax were mitigated substantially by the decrease in provisions. Non-current liabilities reduced marginally due to an increase in purchase of assets on finance leases, higher provisions and deferred tax liabilities offset fully by bank loan repayments.

## Financial Review

### Dividends

The Board of Directors is recommending a tax-exempt (one-tier) final dividend of 2.0 Singapore cents to be paid for FY2010. Subject to shareholders' approval for the final dividend to be obtained at the forthcoming Annual General Meeting, the total dividend for FY2010 including the interim dividend of 1.0 Singapore cents paid, will amount to 3.0 Singapore cents per share, which is on par with that paid for FY2009.

### Cash Flows

As at 31 March 2010, the Group's cash and cash equivalents stood at S\$20.31 million, a decrease of S\$1.67 million or 7.6% from a balance of S\$21.98 million as of 31 March 2009.

Net cash generated from operating activities for FY2010 amounted to S\$3.97 million, a decrease of S\$0.53 million or 11.7% from FY2009 mainly due to increase in inventories and lower cash inflows from receivables and prepayments due to higher collection days. The outflows from operations were partially offset by absence of capital tax gains payment made in FY2009 for the divestment of RCR shares, lower cash outflows from payables and favourable increase in currency re-alignment.

Lower net cash used in investing activities was mainly due to significantly lower investment in quoted shares coupled with proceeds received from the divestment of long-term investments in quoted shares.

Lower net cash used in financing activities was mainly due to the absence of share buyback activities during the financial year.

### Financial Resources And Capital Structure

As at 31 March 2010, the Group's total bank borrowings and finance lease payables stood at S\$3.91 million, representing 5.3% of shareholders' fund and a net cash position of S\$16.40 million. This translates to an improvement in Group leverage position from 31 March 2009 where total Group borrowings represent 8.1% of shareholders' fund.

In view of its business expansion into the Kingdom of Bahrain, the Group is likely to fund the venture via mixture of bank borrowings and internal funds. It will ensure an appropriate level of debt and equity mix is in place.

### Summarized Cash Flow

	2010 S\$'000	2009 S\$'000
Net change in cash & cash equivalents arising from:		
Net cash provided by operating activities	3,971	4,498
Net cash used in investing activities	(2,534)	(9,874)
Net cash used in financing activities	(3,433)	(6,535)
	(1,996)	(11,911)
Cash & cash equivalents:		
At beginning of the financial year	21,984	34,050
Effects of exchange rate changes thereon	326	(155)
At end of the financial year	20,314	21,984

## Group Value Added Statement

	2010 S\$'000	2009 S\$'000	2008 S\$'000	2007 S\$'000	2006 S\$'000
<b>Value Added</b>					
Revenue	81,966	89,867	84,704	67,916	54,577
Bought-in materials and services	(44,756)	(53,352)	(48,082)	(40,309)	(33,309)
<b>Gross value added</b>	<b>37,210</b>	<b>36,515</b>	<b>36,622</b>	<b>27,607</b>	<b>21,268</b>
Other income	667	807	836	179	2,835
Investment Income*	2,341	223	42,719	1,275	-
(Loss)/ Gain on exchange, net	(195)	(32)	221	75	(1,347)
Fair value gain/ (loss) on forward currency contracts, net	157	(182)	25	55	(53)
Share of results of associated company	-	-	-	-	3,150
<b>Total value added</b>	<b>40,180</b>	<b>37,331</b>	<b>80,423</b>	<b>29,191</b>	<b>25,853</b>
<b>Distribution</b>					
To employees					
Wages, provident fund contributions & other benefits	20,586	20,766	25,070	18,709	16,878
	20,586	20,766	25,070	18,709	16,878
To providers of capital					
Interest on bank borrowings	140	167	771	1,197	1,138
Dividends to shareholders	2,642	2,747	20,224	1,877	1,909
	2,782	2,914	20,995	3,074	3,047
To government					
Income taxes and levies	3,042	3,460	14,123	2,252	489
	3,042	3,460	14,123	2,252	489
Retained in the business					
Depreciation of property, plant and equipment	3,481	3,207	3,227	2,945	3,790
Interest on make good lease provision	20	7	8	7	-
Staff costs capitalised	(595)	(689)	(766)	(719)	(440)
Minority interests	(7)	(6)	36	(14)	92
Retained profit for the year**	9,392	8,235	17,585	2,842	2,203
	12,291	10,754	20,090	5,061	5,645
Non-productive costs and income					
Bad debts and doubtful debts	854	(359)	356	143	457
Loss on settlement of claim	644	-	-	-	-
Gain on sale of property, plant and equipment	(19)	(204)	(211)	(48)	(103)
Gain on disposition of assets	-	-	-	-	(560)
	1,479	(563)	145	95	(206)
	<b>40,180</b>	<b>37,331</b>	<b>80,423</b>	<b>29,191</b>	<b>25,853</b>
Value added per employee (S\$'000)	126	122	122	97	80
Value added per dollar of employment costs (S\$)	1.81	1.76	1.46	1.48	1.26
Value added per dollar of investment in fixed assets (S\$)	0.79	0.91	0.98	0.84	0.69
Value added per dollar sales (S\$)	0.45	0.41	0.43	0.41	0.39

\* Includes dividend income, gain on sale of investment of quoted shares and gain on disposal of quoted investments.

\*\* Includes those attributable to associated company.

## Risk Management

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The recent financial crisis has re-emphasised both the importance and benefits of effective risk management. As an integral part of corporate governance throughout the organisation, the risk management framework incorporated by MTQ enables management to deal effectively with uncertainty and associated risk, while at the same time enhances the capacity to build value. The framework also aims to provide timely information to the Audit Committee and the Board of Directors in supporting their role of overseeing the significant business risks faced by MTQ and the mechanisms in place to monitor, manage and mitigate these risks.

The risk management framework has been fully implemented in our local Oilfield Engineering Division where we continue to monitor all relevant risks to the business. All risk records carried forward from the prior financial year have been updated to reflect the current overall economic and business environment and have served as a basis for developing the internal audit plans to assess the effectiveness of internal controls. Significant business risks highlighted by the respective risk participants alongside with recommendations to further mitigate existing risks have also been reported to the Audit Committee.

During FY2010, we embarked on the extension of the risk management framework to our Engine Systems Division in Australia, another key operational pillar of the Group, to eventually instill a more effective and holistic risk management culture throughout the organisation. Leveraging on the successful implementation of the risk management process in our local Oilfield Engineering Division, a detailed Risk Management Action Plan has been finalised for our Australian subsidiary, with particular emphasis on the importance of empowering all employees to identify risks. With our Engine Systems business dispersed through ten separate branches across Australia, timely completion of the implementation process is expected to prove challenging. Nevertheless, we target to complete the first round of risk review by end FY2011.

With the expansion of our Oilfield Engineering business to Bahrain through the incorporation of MTQ Oilfield Services W.L.L, the risk environment is expected to become more complex. MTQ will take necessary efforts to extend the risk management framework to the Bahrain operations to ensure that newly identified risks are given due emphasis as they arise.

Our financial risk management objectives and policies are further discussed in Note 35 to the financial statements.

## Financial and Corporate Calendar

**23 Jul 2009**

40th Annual General Meeting and Extraordinary General Meeting.

**18 Aug 2009**

Payment of 2.0 Singapore cents final dividend, one-tier tax exempt, in respect of FY2009.

**28 Oct 2009**

MTQ partners with global brand Bosch to offer one-stop solution for automotive aftermarket products.

**28 Oct 2009**

Announcement of half year FY2010 results.

**24 Nov 2009**

Payment of 1.0 Singapore cent interim dividend, one-tier tax exempt, in respect of FY2010.

**09 Feb 2010**

Change of name of subsidiary from Metalock Castings Sdn. Bhd. to MTQ Castings Sdn. Bhd.

**03 Mar 2010**

Dissolution of subsidiary PT MTQ Engine Systems Indonesia.

**15 Mar 2010**

Acquisition of business assets of Premier Fuel Injection Service Pty Ltd.

**30 Mar 2010**

Additional investment in wholly owned subsidiary, MTQ Oilfield Services W.L.L.

**05 Apr 2010**

Award of building contract by MTQ Oilfield Services W.L.L and commencement of construction of engineering facility in Bahrain.

**14 Apr 2010**

Sale of land and property in Australia by MTQ Engine Systems (Aust) Pty Ltd.

**14 Apr 2010**

Announcement of new Chief Executive Officer, Mr. Kuah Boon Wee.

**30 April 2010**

Announcement of full year FY2010 results.

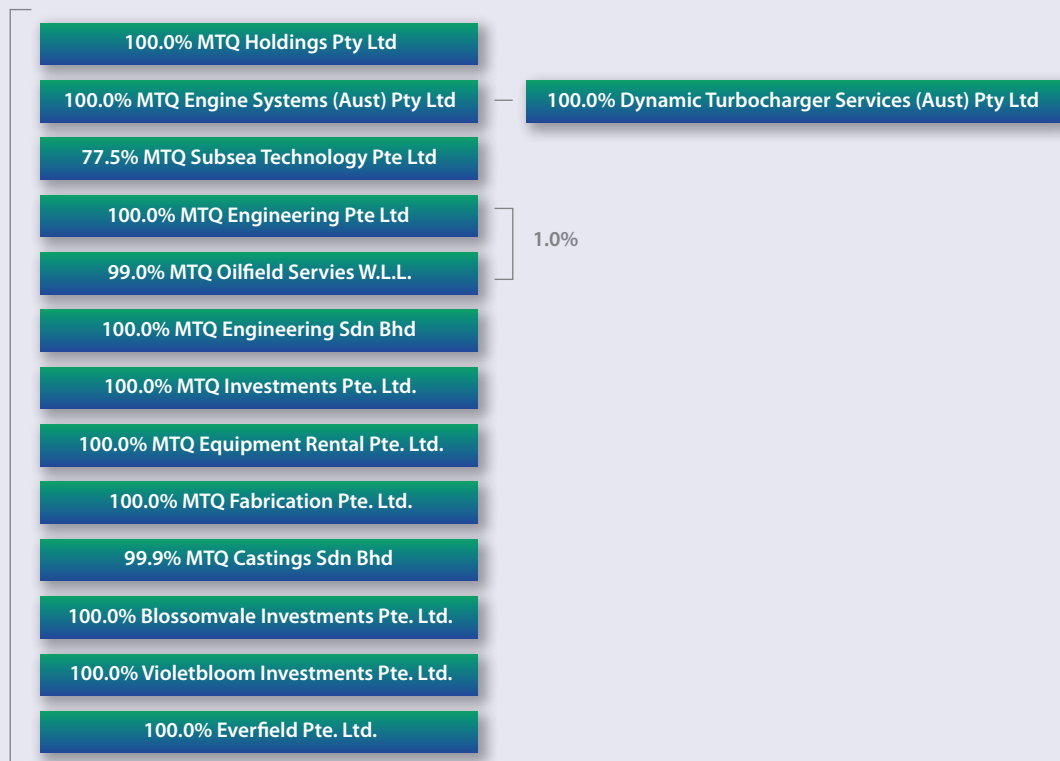
**01 Jul 2010**

Mr. Kuah Boon Wee assumes office as new Chief Executive Officer.

**06 Jul 2010**

Release of Annual Report 2009/2010 to shareholders.

## Corporate Structure



## Corporate Structure

### Directory of Principal Offices

#### MTQ CORPORATION LIMITED

182 Pandan Loop  
Singapore 128373

Tel : (65) 6777 7651  
Fax : (65) 6777 6433

Website :  
www.mtq.com.sg

Contact :  
**Kuah Kok Kim**  
*Executive Chairman*

**Kuah Boon Wee**  
*Chief Executive Officer*

**William Fong Choon Seng**  
*Group Financial Controller*

Email :  
kkkuah@mtq.com.sg

kuahbw@mtq.com.sg

williamfong@mtq.com.sg

#### MTQ ENGINEERING PTE LTD • MTQ FABRICATION PTE. LTD. • MTQ EQUIPMENT RENTAL PTE. LTD.

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Singapore 128373

Tel : (65) 6777 7651 / (65) 6774 9395  
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Website :  
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Contact :  
**Peter Lock Hong Cheong**  
*Managing Director*

Email :  
peterlock@mtq.com.sg

#### MTQ ENGINE SYSTEMS (AUST) PTY LTD

80 Achievement Crescent  
Acacia Ridge, QLD, 4110

Tel : (61) 7 3723 4400  
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Website :  
www.mtqes.com.au

Contact :  
**Les Healey**  
*Managing Director*

Email :  
les.healey@mtqes.com.au

#### Adelaide

7-9 Opala St  
Regency Park, SA, 5010

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#### Brisbane

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Tel: (61) 7 3723 4400  
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#### Dandenong

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#### Darwin

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Berrimah, Northern Territory 0820

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#### Melbourne

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Fax: (61) 3 9315 3984

#### Perth

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Malaga, WA, 6090

Tel: (61) 8 9209 1677  
Fax: (61) 8 9209 1897

#### Rockhampton

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North Rockhampton, QLD, 4701

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Fax: (61) 7 4927 0778

#### Sydney

75-77 Cowspasture Road  
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Fax: (61) 2 8243 2727

#### Toowoomba

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Tel: (61) 7 4633 1355  
Fax: (61) 7 4633 1546

#### Townsville

26 Hugh Ryan Drive  
Garbutt, QLD, 4814

Tel: (61) 7 4725 6626  
Fax: (61) 7 4725 6615

## Corporate Information

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### Board Of Directors

**Kuah Kok Kim**

*Executive Chairman*

**Kuah Boon Wee**

*Chief Executive Officer*

**Ho Han Siong Christopher**

*Non-executive Director*

**Ong Choo Eng**

*Non-executive Director*

**Ian Wayne Spence**

*Independent Director*

**Huang Yuan Chiang**

*Independent 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****Tan San-Ju**

### Registered Office

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

### 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

### Principal Bankers

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

### Auditor

**Ernst & Young LLP**

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 2006)