MTQ

MTQ CORPORATION LIMITED

Engineered for Growth

Annual Report 2012/13

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PROFILE

Established since 1969, MTQ Corporation Limited ("MTQ" or the "Group") specialises in engineering solutions for oilfield equipment, including repair, manufacture and rental operations. Well-known for its broad experience for over 30 years and commitment to service quality, MTQ is the authorised working partner for some of the world's largest OEMs in drilling equipment, and is accredited to carry out manufacturing and repair works in accordance to American Petroleum Institute Standards. The Premier Group, in addition to repair and manufacture of oilfield equipment, is also a supplier of oilfield equipment and tools manufactured by some of the leading global brands. Through its wholly-owned subsidiary MTQ Engine Systems (Aust) Pty Ltd, the Group is also the leading independent supplier of turbocharger and fuel injection parts and services in Australia with a nationwide network. Neptune Marine Services Limited ("Neptune") is located in Perth, Western Australia, and has operational presence in the United Kingdom and Asia. Neptune provides engineering services to offshore oil and gas, marine and renewable energy industries with a focus on subsea and topside services.

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 at a level which meets and surpasses their expectations.

CORE VALUES

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

OUR SERVICES

With the combined engineering capabilities of our API accredited facilities of MTQ Engineering, Bahrain and Pemac, we are now able to offer complete manufacturing repair and refurbishment services to the Oil and Gas industry.

Within the Oilfield Engineering division, our services include:

- Oilfield equipment supply
- Equipment component manufacturing
- Remanufacturing of most drilling tools
- Oilfield equipment design and engineering services
- Equipment recertification and rig inspections
- General oilfield fabrication

Some of the products that we represent for sale and rental are:

- All forms of drilling spools, adaptors and related pressure control drilling equipment
- Heat exchanger mud coolers
- Shale shakers
- Drilling handling tools
- BOP pressure test units and torque tools
- Valves, including safety and drilling diverter valves
- Mud pumps
- Drillpipe protectors

Our key certifications include:

- API
- DNV
- ASME

Within the Neptune division, some of the key services that we offer to the international oil and gas, marine and renewable energy industries include:

- Diving services
- Asset integrity services
- Positioning geophysical and geotechnical services
- Underwater welding
- Subsea engineering
- Subsea stabilisation
- ROV services
- Manufacturing, assembly and testing

Within the Engine Systems division, some of the key product ranges that we support Australia-wide include:

- Bosch
- Densco
- Delphi
- Garrett
- IHI
- Schwitzer

CHAIRMAN'S STATEMENT

"Overall prospects for our oilfield services business remain positive and encouraging. In recent years, we have significantly enlarged our footprint, both in term of products and range of services, and now have operations in Aberdeen in the United Kingdom ("UK"), the Kingdom of Bahrain in the Middle East, Perth and other locations in Australia, as well as our home base in Singapore. This will enable us to serve our global customers more effectively."

Dear Shareholders,

For the year ended 31 March 2013, the Group recorded strong growth in revenue and profits. Revenue increased by 63% to S$208.7 million and profit attributable to owners of the Company increased by 48% to S$21.6 million. A significant development in the year included MTQ's general offer launched in November 2012 to acquire the outstanding shares in Neptune Marine Services Limited ("Neptune"). The offer closed with MTQ acquiring approximately 87% stake in Neptune. Elsewhere, we continue to grow existing businesses and ramp up activities in our latest facility in Bahrain.

Overall prospects for our oilfield services business remain positive and encouraging. In recent years, we have significantly enlarged our footprint, both in term of products and range of services, and now have operations in Aberdeen in the United Kingdom ("UK"), the Kingdom of Bahrain in the Middle East, Perth and other locations in Australia, as well as our home base in Singapore. This will enable us to serve our global customers more effectively.

A big challenge for the Group moving ahead will be integrating the newly acquired operations and ensuring that they continue to do well as individual businesses and also start to reap benefits from the wider association. Retaining and elevating manpower is a perennial issue facing companies like MTQ. We aim to unlock synergies between the existing and newly acquired businesses and want to move into a commanding position to cross-sell the enlarged range of products and services to a much broader base of clients. Manpower policies continue to make it extremely difficult to grow organically in Singapore. We continue to look for productivity gains through equipment upgrades and process reviews where we can. In Bahrain, while there are no similar regulatory restrictions on recruitment of foreign labour, we face the challenge of recruiting adequate supervisory staff and developing the local team so that they can maximise the output of the facility. With Neptune, we have acquired an experienced team of about 250 full-time professionals, whom we will look to develop and grow to complement our manpower teams elsewhere. This is an important part of the Neptune acquisition and it is very much our intention to retain this team and grow where the market allows us to.

Our Australian engine systems operations remained profitable, but recorded tepid sales growth. The challenge of broadening our engagement with national OEMs and resource-centric companies remains an on-going one.

Overall, the Group's financial position remains healthy which allows us to plan ahead to support existing businesses as well as to explore opportunities. Our banks have been supportive in helping us to expand our footprint.

The Board is recommending a tax-exempt (one-tier) final dividend of 2.0 Singapore cents per ordinary share, which is subject to shareholders' approval at the forthcoming Annual General Meeting. The Board has also undertaken a 1 for 4 bonus share offer to existing shareholders to reward them for their continuing support. Subject to regulatory approval, these new shares will be eligible for the proposed final dividend which will result in an effective full year tax-exempt dividend of 4.5 Singapore cents per share.

The Board has also been conscious of the need to raise corporate governance standards, particularly in light of the recommended guidelines given under the revised Code of Corporate Governance 2012 (the "2012 Code") issued on 2 May 2012. Key developments for MTQ include the appointment of Mr. Nicholas Campbell Cocks as our Lead Independent Director. Mr. Cocks has been on the Board since October 2010 and also sits on the Remuneration Committee. I want to thank him for assuming this responsibility. With effect from 6 May 2013, both Mr. Ong Choo Eng and Mr. Christopher Ho Han Siong have been re-designated as Independent Directors of the Company. With the re-designation, five out of seven directors on our Board are independent directors. I thank the Board for its support and guidance in the past year.

I would also like to thank all our customers, business partners and shareholders for their continuous support, and express my heartfelt gratitude to the management team and staff for their hard work and dedication. We are optimistic about the prospects for the Group in the new year and will continue to focus on delivering shareholder value while growing our businesses.

KUAH KOK KIM
Non-Executive Chairman

GROUP CEO'S STATEMENT

BUSINESS REVIEW

INTRODUCTION

MTQ operates in two sectors, the Oilfield Engineering sector and the Engine Systems sector. In recent years, most of our focus has been placed on expanding our presence in the Oilfield Engineering sector. This trend will continue as we foresee better prospects in this sector.

Our goal of becoming a diversified oilfield services company accelerated this year with our acquisition of a 87% stake in Neptune, a subsea service company operating in Australia and the UK. Based in Perth, Neptune's core activities are in diving, inspection, repair and maintenance ("IRM"), geomatics and ROV services, most of which are deployed in subsea operating environments within Australia, the UK and other parts of the world. Its core customers tend to be major oilfield services companies and oil companies involved in upstream oil and gas developments. Neptune remains listed on the Australian Securities Exchange.

Our strategy remains to develop a more comprehensive range of services, both geographically and functionally, so that our potential work scopes with our oil and gas customers can increase. Our focus remains in specialist engineering and subsea services, particularly in the repair and maintenance phase of oilfield assets.

Our Engine Systems business is primarily a distribution and service business in Australia. It does operate on a set of different business matrices as compared to the Oilfield Engineering business. We continue to focus on developing our pan-Australian wide capabilities in this space, focusing on growth sectors within Australia.

OILFIELD ENGINEERING

Oil and gas exploration activity continues to remain robust, driven by underlying global demand for energy and the depletion of previously discovered fields. While fossil fuels inevitably raise environmental concerns, oil and gas supplies continue to power global growth, especially given its advantages over coal and nuclear alternatives. This backdrop is reflected in consistent charter rates for drilling assets and high asset utilisations in all our key markets, especially South East Asia/Australia and the Middle East. This is in spite of the increase in orders and deliveries of new assets entering the markets.

In supporting these activities, our Oilfield Engineering division recorded a 28% increase in revenue for the current financial year to S$94.7 million. Profit before tax has likewise increased in the Oilfield Engineering business by 83% to S$26.7 million, with contributions from the Singapore operations and reduced losses from the Bahrain facility.

While the Bahrain facility accounted for a significant share of the increase in revenues, our Singapore operations still managed to generate incremental growth in spite of an essentially static headcount. Our revenue increase for the year also reflects a full twelve months' revenue recognition from the Premier Sea & Land Limited and its subsidiaries ("Premier Group") acquisition in FY2012, as compared to nine months previously.

Within Singapore, our activity patterns remain healthy. Several of the major OEMs have expanded their presence in the region, notably Halliburton and Cameron. Cameron has completed its plans to develop its own after-market facility in Singapore to better service its customers. We continue to upgrade our equipment in our facilities at Pandan Loop and Loyang to better service our customers. At the same time, we seek to develop a broader base of oil and gas customers. We continue to be encouraged by the business outlook for our Bahrain facility, where we continue to secure work with major equipment OEMs and drilling contractors operating in the region. Our key focus is on strengthening the supervisory aspect of our business and developing a more experienced workforce. The nature of our industry requires significant lead times in developing core competence. Overall sales have grown significantly and we continue to see strong prospects of good growth moving ahead.

Neptune has now enabled the Group to provide a much more comprehensive range of services to oil companies. Neptune recorded its first contribution for the fourth quarter of FY2013, generating revenues of S$58.9 million, boosted by several major projects within the diving business for customers like Modec and eni. These projects include third party vessel hire. Such campaigns allow us to secure higher revenues for the year, though it is important to highlight that the nature of such works is ad-hoc in nature. Within Neptune, we will continue to push the drive of improving operating profitability. Plans to streamline office locations in Perth and Singapore will be implemented.

Within the overall Oilfield Engineering business, we have continued to reinvest into the business in the form of capital equipment and improvements. We expect this trend to continue, particularly with the Neptune businesses. We will be looking at upgrades and new additions in certain growth areas. With our older workshop facilities in Aberdeen and Singapore, we remain committed to progressively upgrade our facilities and ensure that they continue to be able to service the needs of our oil and gas customers.

ENGINE SYSTEMS

The Engine Systems business in Australia recorded modest sales growth for the year but managed to increase overall segment profits to S$3.5 million, a significant increase for the year. Tight cost management contributed to the improvement in the overall profits of the business. However, the revenue numbers illustrate the fact that the general fuel injection and turbo charge business faces a challenging consumer environment. We continue to seek growth opportunities in the resource sector where the outlook still looks promising while looking to work with OEMs on a national basis. Cost control remains the key towards achieving a decent return on total investment to date.

PEOPLE

Finding good people continues to be an important priority for businesses, particularly in technical industries like oilfield services and engine systems where new joiners seem reluctant to embrace. In the last two years, we have significantly grown our staff, organically and through acquisitions to 800 full-time employees, with Singapore still retaining the highest component. Retaining and developing this pool of talent is important for companies like MTQ. We are pleased that staff retention, following the Premier Group acquisition, has been healthy and we will work harder to ensure that we achieve the same result with the Neptune acquisition. As part of our efforts in this area, I welcome Mr. Tan Chee Keong, who has joined us as our Group Human Resources Director. We will also look to strengthen our team in the area of human resources management.

In Singapore, the manpower crunch is a very real one facing businesses like ours, particularly within the engineering workshops. Given that government measures to restrict the growth of foreign workers in Singapore are set to remain, the Group has to work harder at retaining existing and attracting new employees. The Group remains committed to a policy of sharing the rewards with the workforce, so that interests are aligned across stakeholders. We embrace re-employment and are keen to enhance the working lives of our employees. We will continue to invest in new equipment in our production capabilities to boost manpower productivity at our facilities where prudent. Government incentives continue to remain helpful in these areas. Notwithstanding all these efforts, the reality of the manpower landscape is curtailing growth opportunities in Singapore, especially as we grapple with an ageing workforce.

In Bahrain, we have grown our staff strength to about 110 staff. Our strategy here remains to source local candidates and train them at our facility while augmenting overall numbers by recruitment from overseas for experienced and managerial positions. It has proven to be a challenge to attract the right sort of supervisory management we need and we continue to focus on finding people with the right caliber.

In Neptune, the last eighteen months has seen a fair amount of internal organisational change. That period has now passed and the focus ahead is on retaining, developing and attracting new joiners into the business to support growth moving ahead.

SAFETY AND COMPLIANCE

Safety in the work place is important. The nature of our work in heavy oil and gas engineering poses inherent risks which need to be actively managed. Through Neptune, we have secured the capabilities of an experienced Health Safety Environment framework and processes which we will look to implement in other Group entities. We have also recorded another full year of zero reportable accidents at our main facility in Pandan Loop. In the course of this past year, our facilities have been successfully audited by industry bodies such as DNV, ISO and API. We have also been regularly audited by our customers to ensure compliance with industry regulations and procedures. This is an important area of emphasis that needs to constantly remain at the forefront of all that we do.

KUAH BOON WEE

Group Chief Executive Officer

BOARD OF DIRECTORS

FRONT ROW (left to right)

CHEW SOO LIN
Independent Director

KUAH KOK KIM
Non-Executive Chairman

ONG CHOO ENG
Independent Director

SECOND ROW (left to right)

NICHOLAS CAMPBELL COCKS
Lead Independent Director

CHRISTOPHER HO HAN SIONG
Independent Director

KUAH BOON WEE
Group Chief Executive Officer

HUANG YUAN CHIANG
Independent Director

KUAH KOK KIM

Non-Executive Chairman

Mr. Kuah joined the Board on 1 January 1997, was appointed as Executive Chairman on 9 September 1997 and was the Chief Executive Officer of the Group until 30 June 2010. He was re-designated to Non-Executive Chairman on 1 October 2012 and was last re-elected as Director at MTQ's Annual General Meeting on 22 July 2011.

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.

KUAH BOON WEE

Group Chief Executive Officer

Mr. Kuah joined the Board on 10 October 2006 and was appointed Group Chief Executive Officer on 1 July 2010. He was re-elected as Director at MTQ's Annual General Meeting on 23 July 2010. A UK qualified chartered accountant with a university degree in mechanical engineering, he was previously a senior management executive of PSA International Pte Ltd, having served as CEO of PSA Singapore terminals.

NICHOLAS CAMPBELL COCKS

Lead Independent Director

Mr. Cocks joined the Board on 1 October 2010 and was last re-elected as Director at MTQ's Annual General Meeting on 22 July 2011. Mr. Cocks was appointed as Lead Independent Director on 6 May 2013 and is also a member of the Remuneration Committee. Mr. Cocks graduated from Australian National University, Canberra with a degree in Commerce. Mr. Cocks is the Group Managing Director of Readymix Holdings International Limited.

CHEW SOO LIN

Independent Director

Mr. Chew joined the Board on 18 May 2012 and was last re-elected as Director at MTQ's Annual General Meeting on 27 July 2012. He was appointed as Chairman of the Audit Committee on 1 August 2012. Mr. Chew qualified as a chartered accountant in the UK. Mr. Chew is currently the Executive Chairman of Khong Guan Flour Milling Limited.

CHRISTOPHER HO HAN SIONG

Independent Director

Mr. Ho joined the Board on 30 October 2007 and was last re-elected as Director at MTQ's Annual General Meeting on 22 July 2011. He is a member of the Audit Committee. Mr. Ho graduated from the University of Wisconsin at Madison, USA, in 1989, with a double degree in Computer Engineering and Computer Science. Mr. Ho is currently the Vice-President for Investments in the Tai Tak Group.

HUANG YUAN CHIANG

Independent Director

Mr. Huang joined the Board on 8 August 2001 and was last re-elected as Director at MTQ's Annual General Meeting on 27 July 2012. He is Chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Huang has degrees in Economics and Law and is a lawyer by training. Mr. Huang is a professional company director and serves on the board of several listed companies.

ONG CHOO ENG

Independent Director

Mr. Ong joined the Board on 9 September 1997 and was last re-elected as Director at MTQ's Annual General Meeting on 27 July 2012. He is a member of the Remuneration Committee.

Mr. Ong graduated with a Bachelor of Science (Honours) degree in Civil Engineering and a Master of Science degree in Advance Structural Engineering. Mr. Ong is a member of the Institution of Civil Engineers (UK) and Institution of Engineers (Singapore). Mr. Ong is currently the Group Managing Director of Hwa Hong Corporation Limited.

SENIOR MANAGEMENT

CORPORATE OFFICE

DOMINIC SIU MAN KIT

Group Chief Financial Officer and Joint Company Secretary

Mr. Siu graduated with a Bachelor of Civil and Structural Engineering (Honours) degree and is a chartered accountant qualified in the UK. He is an experienced senior finance manager and has held senior finance positions in Greater China and South East Asia regions.

TAN CHEE KEONG

Group Human Resources Director

Mr. Tan holds a Master of Science (Information Studies) and has 14 years of experience in Human Resources Management. He has worked for both Singapore-based Government Linked Corporations, as well as multinational companies with international operations.

OILFIELD ENGINEERING DIVISION

VINCENT TAN

Managing Director – MTQ Engineering Pte Ltd

Mr. Tan holds a Masters of Business Administration with Distinction and a Bachelor of Mechanical Engineering (Honours). He joined MTQ Engineering Pte Ltd in June 2012. Mr. Tan has over 15 years experience in general and operations management in the oil and gas industry. Prior to joining MTQ, Mr. Tan was the Director of Sales, Pacific Rim of National Oilwell Varco – Fiber Glass Systems Division.

IAN ROBERT HORTIN

Managing Director – Premier Sea & Land Pte Ltd

Mr. Hortin has extensive experience and technical knowledge of the offshore drilling industry, having worked on various high profile drilling projects in various parts of the world. He is responsible for developing the Premier Group's business in the deep water drilling industry and expanding international sales.

SUMARDI BIN SIDI

General Manager – Pemac Pte Ltd

Mr. Sidi has over 20 years experience in welding and fabrication works servicing drilling contractors in the region. He has extensive knowledge and experience in quality control and assurance. Mr. Sidi is responsible for the oilfield engineering business located at Loyang Singapore.

NEPTUNE DIVISION

ROBIN KING

Chief Executive Officer – Neptune Marine Services Limited

Mr. King holds a Masters of Business Administration and a Bachelor of Civil Engineering (First Class Honours). He has worked in the international oil and gas industry since 1982, focusing mainly in the offshore and subsea sectors. Prior to being appointed CEO at Neptune in 2010, Mr. King was the CEO of Technip Subsea 7 Asia Pacific, responsible for operations throughout Oceania and South East Asia.

ENGINE SYSTEMS DIVISION

LES HEALEY

Managing Director – MTQ Engine Systems (Aust) Pty Ltd

Mr. Healey has a Bachelor degree in Arts and Economics. He joined MTQ Engine Systems (Aust) Pty Ltd in 2004. Mr. Healey has vast experience and network in industrial engine systems, having held senior management positions with Komatsu in the Western Australia Region and the Repco Group.

GROUP STRUCTURE

(AS AT 11 JUNE 2013)

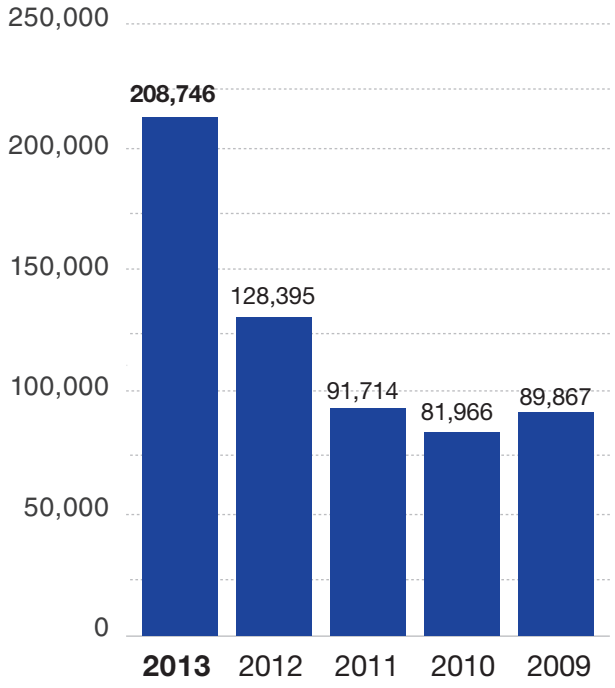
- 100.0% MTQ Holdings Pty Ltd
- 100.0% MTQ Engine Systems (Aust) Pty Ltd
  - 100.0% Dynamic Turbocharger Services (Australia) Pty Ltd
- 100.0% MTQ Engineering Pte Ltd
- 99.0% MTQ Oilfield Services W.L.L.
  - 1.0%
- 100.0% MTQ Equipment Rental Pte Ltd
- 100.0% MTQ Fabrication Pte Ltd
- 100.0% MTQ Castings Sdn Bhd
- 100.0% Violetbloom Investments Pte Ltd
- 100.0% Everfield Pte Ltd
- 100.0% Premier Sea & Land Pte Ltd
  - 100.0% Premier Estate Pte Ltd
- 100.0% Premier Sea & Land Limited
- 100.0% Pemac Pte Ltd
- 100.0% Blossomvale Investments Pte Ltd
  - 86.8% Neptune Marine Services Limited
    - 100.0% Neptune Marine Services International Pty Ltd
      - 100.0% Neptune Delaware Holdings Inc
        - 100.0% Neptune Underwater Services (USA) LLC
    - 100.0% Neptune Asset Intergrity Services Pty Ltd
    - 100.0% Neptune Diving Services Pty Ltd
      - 100.0% Allied Diving Services Pty Ltd
    - 100.0% Neptune Fabrication Services Pty Ltd
    - 100.0% Neptune Subsea Engineering Pty Ltd
    - 100.0% Neptune Geomatics Pty Ltd
    - 100.0% Neptune Subsea Stabilisation Pty Ltd
    - 100.0% Neptune Asia Holdings Pte Ltd
      - 100.0% Neptune Marine Pacific Pte Ltd
      - 100.0% Neptune Access IRM Pte Ltd
      - 100.0% Neptune Marine Offshore Pte Ltd
      - 100.0% Neptune Subsea Services Sdn Bhd
      - 99.9% Neptune Marine Subsea Services Sdn Bhd
        - 0.1%
      - 100.0% Neptune Subsea Stabilisation Pte Ltd
        - 99.0% PT Neptune Subsea Stabilisation
      - 1.0%
    - 100.0% Neptune Scotland Holdings Ltd
      - 100.0% Neptune Offshore Services Ltd
        - 100.0% Neptune Deeptech Symons Ltd
      - 100.0% Neptune Subsea Engineering Ltd
      - 100.0% Neptune ROV Services Holdings Ltd
        - 100.0% Neptune ROV Services Ltd
          - 100.0% Neptune ROV Services Pte Ltd
          - 100.0% Submersible Technology Services Sdn Bhd
          - 100.0% Submersible Technology Services (Middle East S.P.C.)

FIVE YEARS FINANCIAL PROFILE

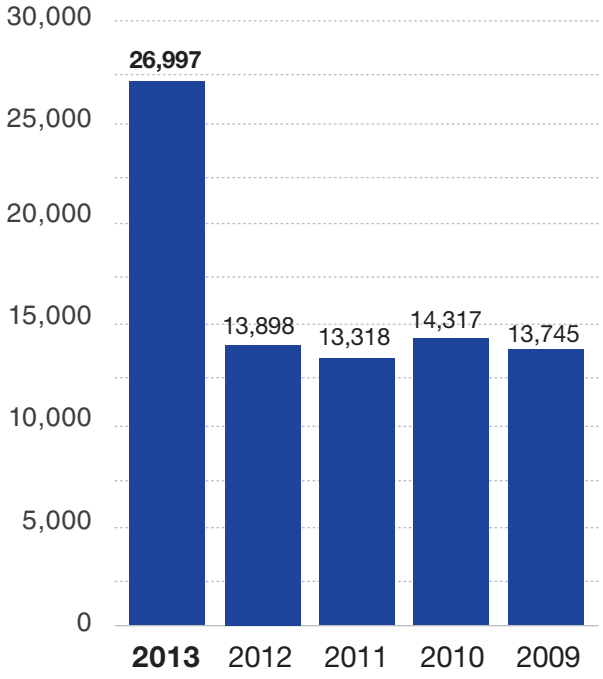
	2013	2012	2011	2010	2009
For the year (in S$'000)					
Revenue	**208,746**	128,395	91,714	81,966	89,867
EBITDA	**35,689**	21,068	17,409	17,775	16,578
Profit before tax	**26,997**	13,898	13,318	14,317	13,745
Profit after tax	**22,994**	14,607	10,743	12,027	10,976
Profit attributable to owners of the Company	**21,565**	14,607	10,631	12,034	10,982
At year end (in S$'000)					
Net current assets	**85,888**	26,865	37,034	44,796	35,263
Total assets	**268,061**	164,018	132,562	101,462	84,881
Total liabilities	**136,283**	77,886	54,839	28,146	28,051
Net debt/(cash)[1]	**32,664**	18,611	4,486	(16,402)	(17,321)
Shareholders' funds	**118,630**	86,692	78,283	73,988	57,495
Net tangible assets[2]	**88,182**	74,274	70,574	66,808	51,601
Financial ratios					
Profit before tax margin (%)	**12.93**	10.82	14.52	17.47	15.29
Return on shareholders' funds (%)[3]	**18.18**	16.85	13.58	16.26	19.10
Interest cover (EBITDA / net interest expense)[4]	**23.84 times**	22.01 times	259.84 times	N.A	N.A
Net debt gearing ratio (%)[5]	**19.86**	17.77	5.46	N.A	N.A
Per share data					
Basic earnings (in Singapore cents)[6]	**23.06**	16.30	12.04	13.67	12.10
Net tangible assets (in Singapore cents)[7]	**88.03**	82.27	79.27	75.87	58.60
Net asset value (in S$)[8]	**1.18**	0.96	0.88	0.84	0.65
Dividend (in Singapore cents)	**4.50**[9]	4.00	4.00	3.00	3.00
Dividend yield (%)[10]	**3.57**	5.10	4.65	3.90	6.00
Price at year-end (in S$)	**1.26**	0.79	0.86	0.77	0.50

1. Net debt is defined as gross debt less cash and bank balances.
2. Net tangible assets is defined as shareholders' funds less intangible assets.
3. Return on shareholders' funds is defined as profit attributable to owners of the Company divided by shareholders' funds.
4. 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.
5. Net debt gearing is defined as the ratio of net debt to net capitalisation. Net capitalisation is the aggregate of net debt and total equity. This ratio is not applicable for 2010 and 2009 given that the Group's cash exceeded its gross debt as at 31 March 2010 and 31 March 2009 respectively.
6. Basic earnings per share is defined as profit attributable to owners of the Company divided by weighted average number of issued shares.
7. Net tangible assets per share is defined as net tangible assets divided by total number of issued shares excluding treasury shares.
8. Net asset value is defined as shareholders' funds divided by total number of issued shares excluding treasury shares.
9. Includes the proposed final dividend of 2.00 Singapore cents per share and assumes that the proposed bonus shares are entitled for the proposed final dividend.
10. Dividend yield per share is defined as gross dividend divided by year-end market price.

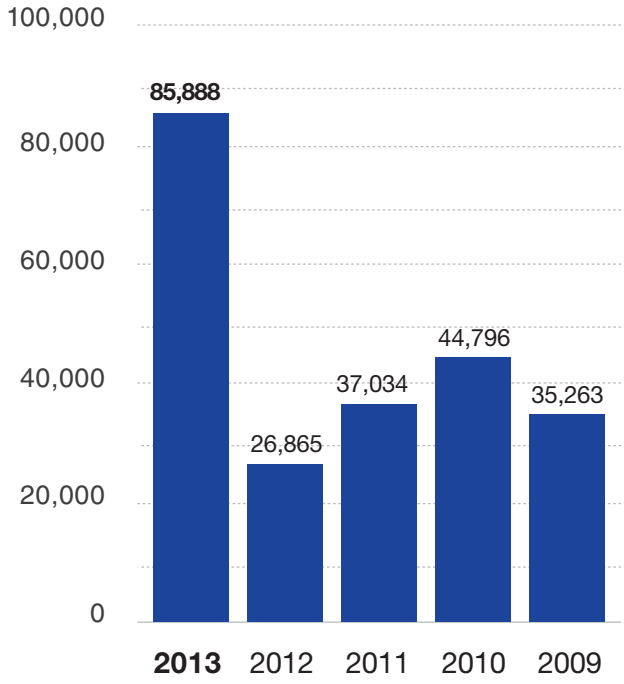
REVENUE (S$'000)



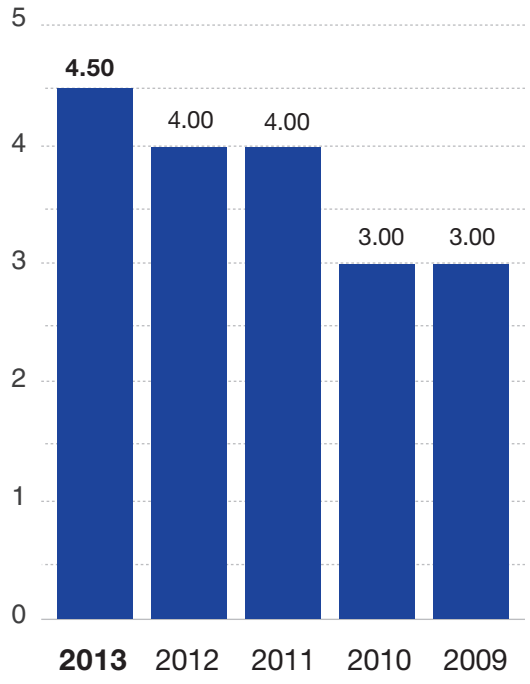
PROFIT BEFORE TAX (S$'000)



NET CURRENT ASSETS (S$'000)



DIVIDEND PER SHARE (CENTS)



FINANCIAL REVIEW

REVENUE

In the financial year ended 31 March 2013 ("FY2013"), the Group recorded revenue of S$208.7 million, an increase of S$80.4 million or 63% from S$128.4 million in the financial year ended 31 March 2012 ("FY2012").

This was mainly due to organic growth in all business segments and further boosted by contributions from a newly acquired subsidiary, Neptune, as well as full year recognition of subsidiaries acquired in FY2012.

The Oilfield Engineering division continued to be the highest contributor to Group revenue for FY2013, recording a 28% increase in revenue to S$94.7 million in FY2013. This is attributed to organic growth in the division, as well as full year recognition of the financial results of the Premier Group in FY2013, as compared to nine months in FY2012. The Engine Systems division recorded S$55.2 million in revenue in FY2013, an increase of 1% from FY2012.

PROFIT

The Group's gross profit increased by 55% to S$73.0 million in FY2013. Gross profit margin decreased to 35% in FY2013 from 37% in FY2012 due to changes in product mix since the acquisition of Neptune. Gross profit margins from the Oilfield Engineering and Engine Systems divisions were relatively consistent with those recorded in FY2012.

Apart from inflationary rises, staff costs and other operating expenses of the Group increased mainly due to the enlarged Group operations resulting from the acquisition made in FY2013.

In keeping to the Group's cost control measures, other operating expenses of S$19.9 million declined as a percentage of revenue at 10% (FY2012: 12%) in FY2013 and staff costs made up of 13% (FY2012: 14%) of revenue.

Finance costs increased by 41% to S$1.5 million in FY2013 due to increase in bank borrowings to finance the acquisition made during the year.

Due to higher revenues and slower rate of increase in expenses, the Group posted a 94% increase in pre-tax profit to S$27.0 million (FY2012: S$13.9 million) in FY2013.

Included in FY2012 taxation expense was a write-back of tax provision of S$3.4 million which arose as a result of the finalisation of the tax affairs of a subsidiary. Excluding such one-off item in FY2012, taxation expense in FY2013 increased by 52% to S$4.0 million from FY2012.

EARNINGS PER SHARE

Basic earnings per share for FY2013 was 23.06 Singapore cents, 41% higher than FY2012 due to the higher Group profit recorded in FY2013.

BALANCE SHEET

The main changes to the Group's net assets resulted from the acquisition made during FY2013.

Total assets for the Group were S$268.1 million as at 31 March 2013, an increase of 63% or S$104.0 million. Net assets increased by S$45.6 million or 53% to S$131.8 million compared with FY2012.

Non-current assets increased by S$31.0 million from S$83.3 million to S$114.3 million. The increase in intangible assets, deferred tax assets, as well as property, plant and equipment of S$47.6 million were mainly due to the acquisition of Neptune. These increases were offset by a decrease in available-for-sale financial assets of S$18.0 million, mainly resulting from the acquisition of Neptune which was previously classified as an available-for-sale financial asset.

The Group's total liabilities amounted to S$136.3 million, an increase of 75% or S$58.4 million from FY2012. The increase in trade and other payables of S$28.6 million was mainly due to the acquisition of Neptune. Bank borrowings increased by S$27.6 million mainly due to financing of the acquisitions, offset by repayment of loans during the year.

Shareholders' funds amounted to S$118.6 million as at 31 March 2013, an increase of 37% or S$31.9 million compared to 31 March 2012.

DIVIDENDS

The Board of Directors is recommending a tax-exempt (one-tier) final dividend of 2.0 Singapore cents to be paid for FY2013. Subject to shareholders' approval for the payment of the final dividend at the forthcoming Annual General Meeting, dividend for FY2013, including the interim dividend of 2.0 Singapore cents paid (cash & scrip), will total to 4.0 Singapore cents per share.

In addition, a bonus issue of one new ordinary share for every four existing ordinary shares held in the capital of the Company is proposed. The proposed bonus issue is subject to the approval of the Singapore Exchange Securities Trading Limited ("SGX-ST") for the listing and quotation of the bonus shares on the official list of the SGX-ST. Subject to regulatory approval, the Group expects that the bonus shares will be entitled to the proposed final dividend in respect of FY2013 which will result in an effective full year tax-exempt dividend of 4.5 Singapore cents per share.

CASH FLOWS

As at 31 March 2013, the Group's cash balances amounted to S$40.9 million, an increase of 50% or S$13.6 million from the beginning of the financial year.

The Group continued to generate strong cash flows. There was higher cash from operating activities due to increase in profits, offset by higher trade receivables.

Net cash used in investing activities in FY2013 was S$39.8 million, mainly relating to the acquisition of Neptune.

Financing obtained from banks amounted to S$47.3 million in FY2013. The Group also disposed of its treasury shares for S$6.2 million. Apart from payment of dividends and repayment of bank borrowings, proceeds from the new bank funding and disposal of treasury shares was deployed for the acquisition made during the year.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Total bank borrowings and finance lease payables increased by 60% to S$73.6 million as at 31 March 2013, while net debt position increased by 76% to S$32.7 million. Net debt gearing ratio increased from 18% to 20% during FY2013. Despite the increase, the Group's gearing level remains healthy and there is headroom available to fund further growth.

2.4 million new ordinary shares were issued in FY2013 as scrip dividends to eligible shareholders who elected to take up scrip in lieu of cash dividend under the MTQ Corporation Limited Scrip Dividend Scheme.

RISK MANAGEMENT

The Group has expanded significantly over the last two years in terms of size and geographic coverage. With the start-up investment in Bahrain and acquisitions of the Premier Group and Neptune, the Group has operations covering the Middle East, the United Kingdom, Australia and Singapore, servicing operators and equipment manufacturers in the energy industry. Although expansion inevitably adds complexity to the risks profile of the Group, the global nature of the energy industry is such that the industrial practices and the customers the Group services are largely the same.

The Group adopts a bottom-up approach for the risk management process to address financial, operational and compliance risks. Business units have primary responsibility and accountability to identify, evaluate, manage and monitor risks that may have impact on their operations. Appropriate risk management frameworks that are adopted form integral parts of the business operations. Risks identified are regularly reviewed and monitored by the respective management teams at management meetings or at forums specifically convened (e.g. risk management committee, work health and safety committee). A list of Key Risks which are considered critical to the overall Group operations has been identified and is being closely monitored and managed at every level of the organisations within the Group where appropriate. It is through this approach that the Board of Directors and the Audit Committee are given the assurance that management has implemented adequate controls to safeguard the Group's assets and enhance shareholders' value.

Following the acquisition of Neptune in the fourth quarter of FY2013, the Group undertook a review of the insurance programs of the enlarged Group with the assistance of external consultants and brokers. The review covered the insurable risks which the Group's operations are exposed to, as well as the adequacy and the structure of the programs. The findings from this review has facilitated a more comprehensive and cost effective insurance program for the Group.

The Group's Delegation of Authority arrangements are also reviewed regularly in order to achieve a more systematic structure for reviews and authorisations before commitments, obligations and payments are being executed or entered into.

The internal risk management process is augmented by independent audits conducted by external auditors covering different aspects of financial, operational and compliance risk management. In addition to the annual statutory audit conducted by the external auditors, internal audits conducted in accordance with the IIA standards are also performed by external professional firms for some of the key operating units. There are also regular audits conducted for industrial accreditation as well as customer quality controls performed by independent parties to ensure compliance of the various regulations, standards and guidelines.

KEY RISKS BEING MANAGED

Listed below are the critical risks which are being closely managed.

Financial Risks	Operational Risks	Compliance Risks
Liquidity Risk	Concentration of Customers	Industrial Accreditation
Credit Risk	Work Health and Safety	Listing, Legal and Tax Regulations
Foreign Currency Risk	Business Continuity	

FINANCIAL AND CORPORATE CALENDAR

2013

JULY

26	Annual General Meeting and Extraordinary General Meeting

JUNE

04	Proposed adoption of the MTQ Share Plan

MAY

08	Proposed bonus issue on the basis of one bonus share for every four existing ordinary shares
06	Re-designation of Directors and appointment of Lead Independent Director
06	Full year FY2013 results announcement

APRIL

22	Profit guidance
15	Completion of offer by Blossomvale Investments Pte Ltd in Neptune Marine Services Limited

JANUARY

30	Third quarter FY2013 results announcement
08	Interim dividend for financial year ended 31 March 2013

2012

DECEMBER

13	Liquidation of subsidiary - MTQ Subsea Technology Pte Ltd
10	Sale of treasury shares
06	New subsidiary - Neptune Marine Services Limited

NOVEMBER

20	Extraordinary General Meeting

OCTOBER

30	Second quarter FY2013 results announcement
30	Proposed offer by Blossomvale Investments Pte Ltd in Neptune Marine Services Limited

SEPTEMBER

19	Final dividend for financial year ended 31 March 2012

AUGUST

31	Re-designation of Chairman
01	Resignation of Independent Director who is also Chairman of Audit Committee and appointment of Chairman of Audit Committee

JULY

26	First quarter FY2013 results announcement

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MTQ EQUIPMENT RENTAL PTE LTD

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Kuah Kok Kim
Non-Executive Chairman

Kuah Boon Wee
Group Chief Executive Officer

Nicholas Campbell Cocks
Lead Independent Director

Chew Soo Lin
Independent Director

Christopher Ho Han Siong
Independent Director

Huang Yuan Chiang
Independent Director

Ong Choo Eng
Independent Director

AUDIT COMMITTEE

Chew Soo Lin
Chairman

Christopher Ho Han Siong

Huang Yuan Chiang

REMUNERATION COMMITTEE

Huang Yuan Chiang
Chairman

Nicholas Campbell Cocks

Ong Choo Eng

JOINT COMPANY SECRETARIES

Dominic Siu Man Kit

Tan San-Ju

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PRINCIPAL BANKERS

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United Overseas Bank Limited

AUDITOR

Ernst & Young LLP
Public Accountants and Certified Public Accountants

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Singapore 048583

Partner-in-Charge
Philip Ng Weng Kwai
(since financial year ended 31 March 2011)

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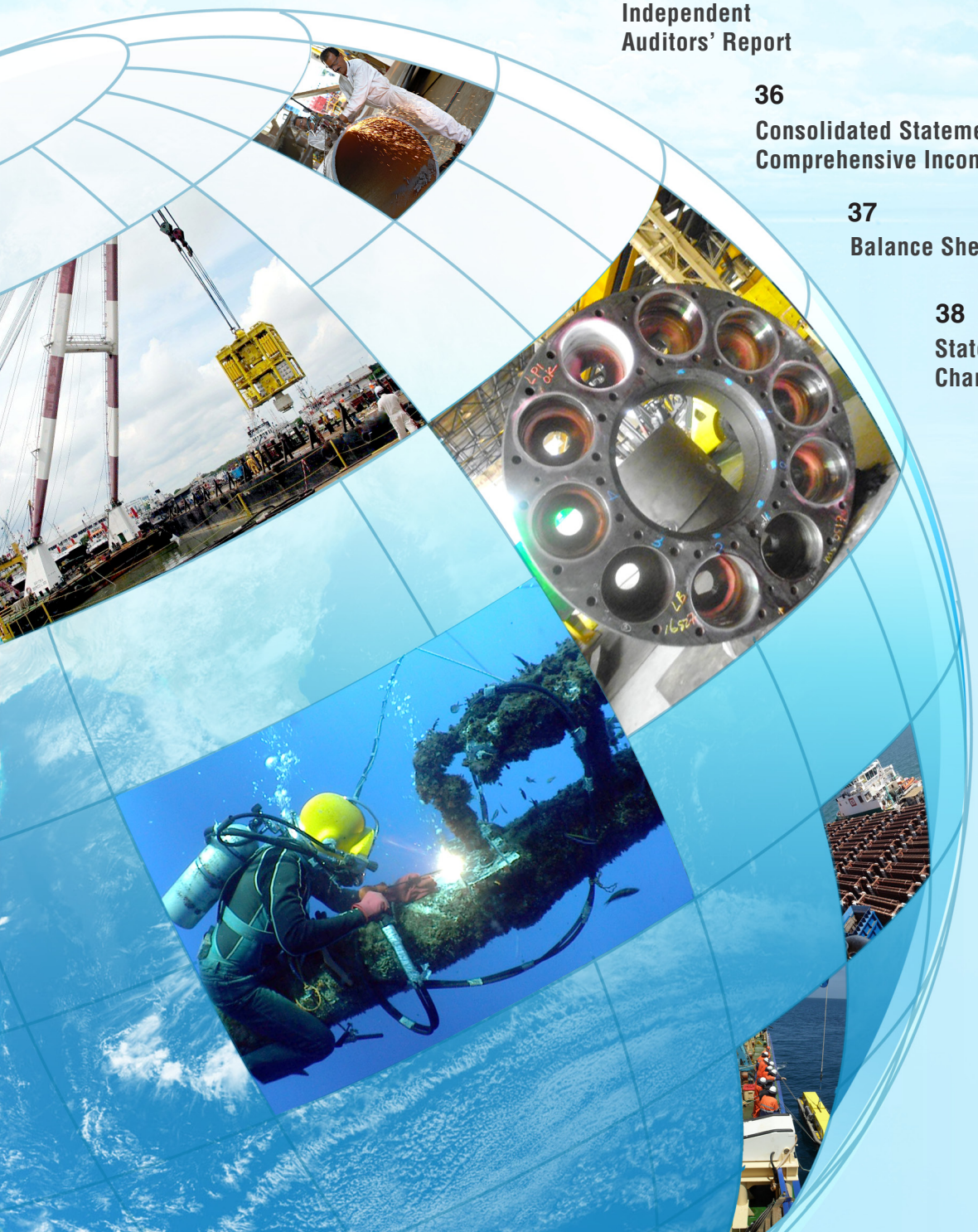
Proxy Form



CORPORATE GOVERNANCE REPORT

The Board and Management of the Company ("the Group") are committed to maintaining a standard of corporate governance to enhance shareholders' long-term interest and corporate performance. This report describes the Group's corporate governance practices with specific reference to the Code of Corporate Governance 2005 (the "Code") and the Group subscribes fully to the principles and recommendations in the Code where they are applicable.

The Group has complied with the Code's principles and guidelines throughout the reporting period for the financial year ended 31 March 2013.

The Board also noted the recommended guidelines given under the revised Code of Corporate Governance 2012 (the "2012 Code") issued on 2 May 2012 which would be effective for the Company for the financial year commencing from 1 April 2013. The Board as at the date of this corporate governance report ("Report") has complied with some of the principles and guidelines of the 2012 Code and will continue to implement the recommendations as and when appropriate for the financial year ending 31 March 2014.

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 risks to be assessed and managed, sets the Group's values and standards, and ensures 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 four times a year. Ad-hoc meetings are also convened when circumstances require.

The Company's Articles of Association (the "Articles") allows 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. Incoming Directors are also given full access to the past years' annual reports and minutes of the Board meetings.

Subsequent to appointment, all Directors are kept informed of relevant training organised by the Group or organised externally for their participation, and are encouraged to go, for other appropriate courses and training on their own accord to ensure that they are kept updated on relevant legal development or changes and best practice, as well as changing commercial and other risks. The Group believes that such training and updates are key inputs to continued effective Board performance. During the year, the Board was briefed and/or updated on the following: (1) revisions under the 2012 Code; and (2) changes to the disclosure regime under the Securities and Futures Act.

Changes to regulatory and accounting standards which have 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 objectivity in all their dealings with internal and external parties.

Principle 2 : Board Composition and Guidance

The Board presently comprises seven directors, of which six are non-executive Directors. The Board adopts the Code's definition of an independent director and reviews the independence of each Director annually. With effect from 6 May 2013, both Mr. Ong Choo Eng and Mr. Christopher Ho Han Siong have been re-designated as Independent Directors of the Company in accordance with the guidelines set out in the 2012 Code. With the re-designation, other than the Chairman, all the non-executive Directors are independent Directors. Both Mr. Ong Choo Eng and Mr. Huang Yuan Chiang have served on the Board for more than 9 continuous years. The Board is of the view that their length of service has not compromised these Directors' objectivity and commitment in discharging their duties as directors.

The size and composition of the Board is considered appropriate for its present scope of operations. The Board comprises business leaders and professionals with diverse background and broad range of knowledge and experiences in different fields such as accounting, finance, management and strategic planning, providing an effective blend of business and operational expertise. The Directors' academic and professional qualifications are set out in the "Board of Directors" section of this report.

While the non-executive Directors do not exercise 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 welcomed 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 was re-designated as Non-executive Chairman of the Company with effect from 1 October 2012. His 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.

Mr. Kuah Boon Wee, son of Mr. Kuah Kok Kim, is the Group Chief Executive Officer ("Group CEO") of the Company. He 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 Group CEO will assist the Non-executive Chairman in the latter's execution of his responsibilities.

The 2012 Code recommended that where the Chairman and CEO are related by close family ties, an independent director should be appointed as lead independent director. The Board has appointed Mr. Nicholas Campbell Cocks as the Lead Independent Director on 6 May 2013 to co-ordinate and to lead the Independent Directors to provide a non-executive perspective and to contribute a balanced viewpoint to the Board. He will also be available to shareholders if they have concerns and for which contact through the normal channels of the Chairman, the Group CEO, or the Group Chief Financial Officer, has failed to resolve or is inappropriate.

The Company's Articles has made provisions for the Group CEO to be subject to the one-third rotation rule as well. This is to separate his management roles 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 Group CEO.

Principle 4 : Board Membership
Principle 5 : Board Performance

The Company does not have a Nominating Committee. The Board retains the responsibility for the identification, review and appointment of suitable candidates to join the Board as its members, taking into consideration (a) the candidate's skill, experience and ability to perform, (b) the needs of the Board, (c) the candidate's other commitments and (d) the independence of the candidate. 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 if he has multiple board representations.

Apart from the Company, four of the Directors are also currently sitting on the boards of the following publicly listed companies:

Director	Name of Listed Company
Kuah Boon Wee	● The Hour Glass Limited
Chew Soo Lin	● Asia-Pacific Strategic Investments Limited ● Duty Free International Limited ● Khong Guan Flour Milling Ltd
Huang Yuan Chiang	● Hwa Hong Corporation Limited ● Kluang Rubber Company (Malaya) Berhad ● Kuchai Development Bhd ● Mercator Lines (Singapore) Limited ● Sungei Bagan Rubber Company (Malaya) Bhd
Ong Choo Eng	● Hwa Hong Corporation Limited ● Singapore Reinsurance Corporation Limited

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:

Director	Appointment	Date of Initial Appointment	Date of Last Re-election
Kuah Kok Kim	Non-Executive Chairman	01.01.1997	22.07.2011
Kuah Boon Wee[1]	Executive Director	10.10.2006	23.07.2010
Nicholas Campbell Cocks	Lead Independent Director	01.10.2010	22.07.2011
Chew Soo Lin	Independent Director	18.05.2012	27.07.2012
Christopher Ho Han Siong[1]	Independent Director	30.10.2007	22.07.2011
Huang Yuan Chiang	Independent Director	08.08.2001	27.07.2012
Ong Choo Eng	Independent Director	09.09.1997	27.07.2012

1 Mr. Kuah Boon Wee and Mr. Christopher Ho Han Siong are due for re-election at the forthcoming Annual General Meeting.

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.

During the financial year ending 31 March 2014, the Board will be looking into the evaluation of the Board Committees as recommended by the 2012 Code.

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)
Nicholas Campbell Cocks
Ong Choo Eng

The Remuneration Committee consists of three non-executive Directors, all of whom are independent Directors.

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 had in place a share option scheme for Directors and employees, the MTQ Corporation Executives' Share Option Scheme 2003 (the "Scheme") which expired on 13 April 2013. As the Scheme has expired, the Group will be proposing to shareholders in the forthcoming Extraordinary General Meeting to adopt a new share plan, the MTQ Share Plan, for its employees.

The remuneration scheme for executive Directors is linked to performance, service record, experience and scope of responsibility. Performance is measured against the profits or objectives set in the Group's business plan and strategy. The non-executive Directors are paid directors' fees, of which amount 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 and Remuneration 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 does not contain onerous removal clauses. The terms of service contract, including any early termination compensations clauses, have been reviewed and approved by the Board.

Directors' fees are recommended and endorsed by the Board for approval by shareholders of the Company at its Annual General Meeting.

The remunerations of Directors are set out below:

Name of Director	Fixed Component[1]	Variable Component[2]	Provident Fund[3]	Benefits[4]	Consultancy Fees[5]	Directors' Fees[6]	Total (S$'000)
Kuah Kok Kim[7]	30%	48%	1%	5%	11%	5%	652
Kuah Boon Wee[7]	36%	61%	1%	2%	–	–	1,083
Nicholas Campbell Cocks	–	–	–	–	–	100%	30
Chew Soo Lin	–	–	–	–	–	100%	37
Christopher Ho Han Siong	–	–	–	–	–	100%	35
Huang Yuan Chiang	–	–	–	–	–	100%	45
Ong Choo Eng	–	–	–	–	–	100%	30

1 Fixed Component refers to base salary for the year ended 31 March 2013.

2 Variable Component refers to cash bonuses awarded for performance for the year ended 31 March 2013 and Annual Wage Supplement earned.

3 Provident Fund represents payments in respect of statutory contributions to the Singapore Provident Fund.

4 Benefits are stated on the basis of direct costs, and include car benefits, other benefits associated with relocation and other non-cash benefits such as club membership.

5 Consultancy Fees refer to fees received for consultancy services rendered during the year ended 31 March 2013.

6 Directors' Fees are paid on a quarterly basis in arrears.

7 Mr. Kuah Kok Kim, Non-executive Chairman of the Company, is the father of Mr. Kuah Boon Wee, Group Chief Executive Officer of the Company.

The remunerations of the top 5 key executives (who are not directors) of the Group are as follows:

Name of Key Executive	Fixed Component[1]	Variable Component[2]	Provident Fund[3]	Benefits[4]
Between S$250,001 and S$500,000				
Dominic Siu Man Kit	57%	32%	3%	8%
Ian Robert Hortin	29%	5%	3%	63%
Les Healey	79%	–	7%	14%
Peter Lock Hong Cheong	61%	33%	2%	4%
Sumardi Bin Sidi	28%	68%	2%	2%

1 Fixed Component refers to base salary for the year ended 31 March 2013.

2 Variable Component refers to cash bonuses awarded for performance for the year ended 31 March 2013 and Annual Wage Supplement earned.

3 Provident Fund represents payments in respect of statutory contributions to national pension schemes.

4 Benefits are stated on the basis of direct costs, and include car benefits, other benefits associated with relocation and other non-cash benefits such as club membership.

The total amount paid to the top 5 executives for the year ended 31 March 2013 is S$2,133,000.

Other than Mr. Kuah Kok Kim and Mr. Kuah Boon Wee, no employee of the Company and its subsidiaries was an immediate family member of a Director or the Group CEO and whose remuneration exceeded S$50,000 during the financial year ended 31 March 2013.

Accountability and Audit

Principle 6 : Access to information
Principle 10 : Accountability
Principle 14 : Communication with Shareholders

In order to ensure that the Board is able to fulfil its responsibilities, management provides monthly management accounts, complete with relevant analysis and commentaries of the performance, to the Board on a timely basis. Board reports, including financial information and annual budget, significant corporate issues and management proposals requiring the approval of the Board, are circulated to all Directors prior to the Board meetings. In respect of budgets, any material variances between the projections and actual results are also highlighted and explained. In addition, the Directors can, in furtherance of their duties, seek 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 Company 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 Non-Executive 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 Company Secretary has to be approved by the Directors.

The Board strives for timeliness and transparency in its disclosures to shareholders and the public. The Group will continue to disseminate any price-sensitive information via SGX-ST and such information will be simultaneously posted on our corporate website at www.mtq.com.sg and investor portal, www.shareinvestor.com.

In preparation for the Annual General Meeting, shareholders are encouraged to refer to SGX's investor guides, namely 'An Investor's Guide To Reading Annual Reports' and 'An Investor's Guide To Preparing For Annual General Meetings'. The guides, in both English and Chinese versions, are available at the SGX website (www.sgx.com) under the section named "Investor Guide".

Principle 11 : Audit Committee
Principle 12 : Internal Controls
Principle 13 : Internal Audit

Audit Committee

The Audit Committee comprises three non-executive Directors, all of whom are independent Directors:

Chew Soo Lin (Chairman)
Christopher Ho Han Siong
Huang Yuan Chiang

The Audit Committee has been set up to perform the functions required pursuant to Section 201B(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.

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 quarterly and full-year financial statements of the Group before submitting them to the Board for its approval and the announcement of the financial results.

The Group adopts a bottom-up approach for the risk management process. Business units implement appropriate risk management frameworks and have primary responsibility and accountability to identify and manage potential risks affecting the Group, and to ensure sufficient controls are in place to monitor and mitigate these risks. Details of the Group's risk management policies and processes are provided under the "Risk Management" section of the Annual Report.

The Group outsources part of 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. Reporting directly to the Audit Committee, both internal audit teams plan their work in consultation with, but independent of management and their yearly plan is submitted to the Audit Committee for review and approval.

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.

Based on the internal controls and risk management framework established and maintained by Management, work performed by the internal and external auditors, and reviews performed by management, the Board and the various Board Committees, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls, addressing financial, operational and compliance risks which the Board considers relevant and material to its operations, were adequate as at 31 March 2013.

The Board notes that the system of internal controls and risk management provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it works to achieve its business objectives.

The Company has adopted a whistle blowing policy where employees of the Group may raise concerns about possible improprieties in matter of financial reporting or other matters in confidence. To ensure independent investigation of such matters and appropriate follow up actions, all whistle blowing reports are to be sent to the Audit Committee. Details of the whistle blowing policy are given to all staff and new recruits during orientation. The Audit Committee has received no complaints up to the date of this report.

The Audit Committee is satisfied that the Company has complied with Listing Rules 712 and 715 of the Listing Manual regarding the appointment of auditors of the Company and its subsidiaries.

The Audit Committee has recommended to the Board the re-appointment of Ernst & Young LLP as the external auditors of the Company for the financial year ending 31 March 2014.

Principle 15 : Greater Shareholders' 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 Meeting.

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 to 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 two weeks before the release of the quarterly results and one month before the release of full-year results and ending on the date of announcement of the relevant results. Directors and officers are also advised against dealing in securities when they are in possession of unpublished price sensitive information and on short-term considerations.

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

Directors		Board of Directors		Audit Committee		Remuneration Committee	
		No. of meetings		No. of meetings		No. of meetings	
		held	attended	held	attended	held	attended
Kuah Kok Kim	(Non-Executive Chairman)	6	5	4	4*	2	–
Kuah Boon Wee	(Executive)	6	6	4	4*	2	2*
Nicholas Campbell Cocks	(Independent)	6	6	4	4*	2	2
Chew Soo Lin	(Independent)	6	6	4	4	2	–
Christopher Ho Han Siong	(Independent)	6	5	4	3	2	1*
Huang Yuan Chiang	(Independent)	6	6	4	4	2	2
Ong Choo Eng	(Independent)	6	6	4	–	2	2

* Attendance by invitation

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 Group CEO, 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 Person Transactions
(SGX-ST Listing Rule 907)

The Group has 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.

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of SGX-ST. There was no interested person transaction entered into by the Group in excess of S$100,000 during the year under review.

DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of MTQ Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 March 2013.

DIRECTORS

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

Kuah Kok Kim
Kuah Boon Wee
Chew Soo Lin
Christopher Ho Han Siong
Huang Yuan Chiang
Nicholas Campbell Cocks
Ong Choo Eng

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described in the paragraphs below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects 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

The following Directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest			Deemed interest		
The Company	**At 1.4.2012**	**At 31.3.2013**	**At 21.4.2013**	**At 1.4.2012**	**At 31.3.2013**	**At 21.4.2013**
(Ordinary shares)						
Kuah Kok Kim	23,981,840	24,183,681	24,183,681	–	–	–
Kuah Boon Wee	1,655,440	2,738,403	2,738,403	–	–	–
Huang Yuan Chiang	100,000	100,000	100,000	–	–	–

Mr. Kuah Kok Kim is deemed to have an interest in shares of the Company's subsidiaries 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.

On 5 June 2013, Mr. Christopher Ho Han Siong notified the Company that there was an amendment to his interests in shares of the Company made during his appointment as Director of the Company on 30 October 2007. The amendment was to inform the Company that he has no deemed interest in the shares of the Company held by a substantial shareholder by virtue of Section 7 of the Act as at 30 October 2007. Accordingly, as at 1 April 2012, 31 March 2013 and 21 April 2013, Mr. Christopher Ho Han Siong is not deemed to have any interest in the shares of the Company held by a substantial shareholder by virtue of Section 7 of the Act.

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 of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

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 subsidiaries. The Scheme, upon approval 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"). The Scheme expired on 13 April 2013.

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)
Nicholas Campbell Cocks
Ong Choo Eng

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 a 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. The Scheme expired on 13 April 2013.

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 subsidiaries 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
- subject to the conditions in the following paragraphs, Directors and employees of the Company and its subsidiaries 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.

OPTIONS TO ACQUIRE SHARES IN THE COMPANY (CONT'D)

In respect of any person who is a Director or employee of the Company or its subsidiaries, 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 subsidiaries; 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 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.

OPTIONS TO ACQUIRE SHARES IN THE COMPANY (CONT'D)

(d) Under the Previous Scheme and the Scheme, share options granted, exercised and cancelled during the financial year and outstanding as at 31 March 2013 were as follows:

	No. of options						
Date of grant	At 1.4.2012	Granted	Exercised	Lapsed/ Cancelled	At 31.3.2013	Exercise price	Expiry date
31.7.2003	30,000	–	(30,000)	–	–	$0.43	30.7.2013

(e) The participants of the Previous Scheme and the Scheme who are Directors of the Company as at 31 March 2013 are disclosed in the following table:

Name of participant	Options granted during financial year	Aggregate options granted since commencement of Previous Scheme and the Scheme to end of financial year	Aggregate options exercised/ cancelled/ lapsed since commencement of Previous Scheme and the Scheme to end of financial year	Aggregate options outstanding as at end of financial year
Kuah Kok Kim	–	–	–	–
Huang Yuan Chiang	–	120,000	(120,000)	–
Ong Choo Eng	–	100,000	(100,000)	–

Note: The terms of the options granted under 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 Scheme.

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

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

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, other than the salary and related staff benefits as a full-time employee of the Company, subsidiary or a related company.

AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises 3 members, all of whom are non-executive and independent Directors. The Audit Committee comprises the following members:

Chew Soo Lin (Chairman)
Christopher Ho Han Siong
Huang Yuan Chiang

During the financial year, the Audit Committee carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors and reviewed the internal auditors' evaluation of the adequacy of the system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;
- Reviewed the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board of Directors;
- Reviewed the effectiveness of material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Met with the internal and 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;
- Reviewed 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;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditors;
- Reviewed the nature and extent of non-audit services provided by the external auditors;
- Recommended to the Board of Directors the external auditors to be nominated, approved the compensation of the external auditors, and reviewed the scope and results of the audit;
- Reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considers appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

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 four 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 LLP, be nominated for re-appointment as external auditors at the forthcoming Annual General Meeting of the Company.

In appointing the auditors for the Company and its subsidiaries, the Company has complied with Rules 712 and 715 of the SGX Listing Manual.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Kuah Boon Wee
Director

Chew Soo Lin
Director

Singapore
13 June 2013

STATEMENT BY DIRECTORS

We, Kuah Boon Wee and Chew Soo Lin, being two of the Directors of MTQ Corporation Limited, do hereby state that, in the opinion of the Directors:

(a) the accompanying balance sheets, consolidated statement of comprehensive income, 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 Group and of the Company as at 31 March 2013 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, 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 Boon Wee
Director

Chew Soo Lin
Director

Singapore
13 June 2013

INDEPENDENT AUDITORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013
TO THE MEMBERS OF MTQ CORPORATION LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of MTQ Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 36 to 121, which comprise the balance sheets of the Group and the Company as at 31 March 2013, the statements of changes in equity of the Group and the Company, and the consolidated statement of comprehensive income and consolidated statement cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's 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 about 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 judgment, 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 of financial statements that give a true and fair view 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 management, 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, the consolidated financial statements of the Group and the 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 Group and of the Company as at 31 March 2013 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

13 June 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

(In Singapore dollars)

	Note	2013 $'000	2012 $'000
Revenue	3	208,746	128,395
Cost of sales		(135,767)	(81,368)
Gross profit		72,979	47,027
Other income	4	2,256	1,488
Staff costs		(26,752)	(18,513)
Other operating expenses		(19,940)	(15,005)
Profit from operating activities	5	28,543	14,997
Finance costs	6	(1,546)	(1,099)
Profit from operations before taxation		26,997	13,898
Taxation	7	(4,003)	709
Profit for the financial year, net of tax		22,994	14,607
Other comprehensive income:			
Exchange difference on translation of subsidiaries		(63)	552
Net loss on hedge of net investment in foreign operation		(561)	(32)
Net change in fair value of available-for-sale financial assets		(387)	(3,819)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss upon disposal		253	(244)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss upon obtaining control	13	4,803	–
Foreign currency reserve reclassified to profit or loss upon liquidation of a subsidiary		401	–
Other comprehensive income for the financial year, net of tax		4,446	(3,543)
Total comprehensive income for the financial year		27,440	11,064
Profit for the financial year attributable to:			
Owners of the Company		21,565	14,607
Non-controlling interests		1,429	–
		22,994	14,607
Total comprehensive income attributable to:			
Owners of the Company		26,011	11,064
Non-controlling interests		1,429	–
		27,440	11,064
Earnings per share attributable to owners of the Company			
- Basic	8	23.06 cents	16.30 cents
- Diluted	8	23.06 cents	16.30 cents

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

BALANCE SHEETS

AS AT 31 MARCH 2013

(In Singapore dollars)

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Non-current assets					
Goodwill	9	12,276	12,346	–	–
Intangible assets	10	18,172	72	–	–
Investment property	11	–	–	1,029	1,066
Property, plant and equipment	12	77,224	51,161	422	385
Investment in subsidiaries	13	–	–	47,931	53,294
Investment securities	14	–	18,048	–	–
Receivables	15	1,590	97	60,406	42,873
Prepayments	15	7	16	–	9
Deferred tax assets	23	5,066	1,566	–	13
		114,335	83,306	109,788	97,640
Current assets					
Inventories	16	32,425	24,405	–	–
Trade and other receivables	17	76,857	27,244	9,594	16,949
Prepayments	15	2,749	860	24	33
Investment securities	14	784	889	–	–
Cash and cash equivalents	18	40,911	27,314	6,809	5,886
		153,726	80,712	16,427	22,868
Current liabilities					
Trade and other payables	19	52,103	23,461	2,937	2,007
Finance lease payable	20	564	429	–	–
Bank borrowings	21	8,944	24,104	3,491	20,843
Loan from a non-controlling shareholder of a subsidiary	22	–	701	–	–
Provisions	24	1,247	1,259	–	–
Provision for taxation		4,980	3,893	232	393
		67,838	53,847	6,660	23,243
Net current assets/(liabilities)		85,888	26,865	9,767	(375)
Non-current liabilities					
Other payables	19	–	–	6,220	4,878
Finance lease payable	20	352	480	–	–
Bank borrowings	21	63,715	20,912	15,338	16,984
Deferred tax liabilities	23	2,552	1,406	178	–
Provisions	24	1,826	1,241	72	70
		68,445	24,039	21,808	21,932
Net assets		131,778	86,132	97,747	75,333
Equity attributable to owners of the Company					
Share capital	25	31,740	29,857	31,740	29,857
Treasury shares	25	–	(3,992)	–	(3,992)
Reserves	26	86,890	60,827	66,007	49,468
Shareholders' funds		118,630	86,692	97,747	75,333
Non-controlling interests		13,148	(560)	–	–
Total equity		131,778	86,132	97,747	75,333

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 2013

(In Singapore dollars)

Group	Note	Share capital $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Fair value adjustment reserve $'000	Other reserves $'000	Share-holders' funds $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 1 April 2011		28,932	(3,992)	793	53,174	(606)	(18)	78,283	(560)	77,723
Profit for the financial year, net of tax		–	–	–	14,607	–	–	14,607	–	14,607
Exchange difference on translation of subsidiaries		–	–	552	–	–	–	552	–	552
Net loss on hedge of net investment in foreign operation		–	–	(32)	–	–	–	(32)	–	(32)
Net change in fair value of available-for-sale financial assets		–	–	–	–	(3,819)	–	(3,819)	–	(3,819)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss upon disposal		–	–	–	–	(244)	–	(244)	–	(244)
Total comprehensive income for the financial year		–	–	520	14,607	(4,063)	–	11,064	–	11,064
Dividends paid on ordinary shares	27	–	–	–	(3,580)	–	–	(3,580)	–	(3,580)
Issuance of ordinary shares pursuant to scrip dividend scheme	25	1,000	–	–	–	–	–	1,000	–	1,000
Share issuance expense	25	(75)	–	–	–	–	–	(75)	–	(75)
Total contributions by and distribution to owners		925	–	–	(3,580)	–	–	(2,655)	–	(2,655)
Balance as at 31 March 2012		29,857	(3,992)	1,313	64,201	(4,669)	(18)	86,692	(560)	86,132

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 2013

(In Singapore dollars)

Group	Note	Share capital $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Fair value adjustment reserve $'000	Other reserves $'000	Share-holders' funds $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 1 April 2012		29,857	(3,992)	1,313	64,201	(4,669)	(18)	86,692	(560)	86,132
Profit for the financial year, net of tax		–	–	–	21,565	–	–	21,565	1,429	22,994
Exchange difference on translation of subsidiaries		–	–	(63)	–	–	–	(63)	–	(63)
Net loss on hedge of net investment in foreign operation		–	–	(561)	–	–	–	(561)	–	(561)
Net change in fair value of available-for-sale financial assets		–	–	–	–	(387)	–	(387)	–	(387)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss upon disposal		–	–	–	–	253	–	253	–	253
Net change in fair value of available-for-sale financial assets reclassified to profit or loss upon obtaining control	13	–	–	–	–	4,803	–	4,803	–	4,803
Foreign currency reserve reclassified to profit or loss upon liquidation of a subsidiary		–	–	401	–	–	–	401	–	401
Total comprehensive income for the financial year		–	–	(223)	21,565	4,669	–	26,011	1,429	27,440

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 2013

(In Singapore dollars)

Group	Note	Share capital $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Fair value adjustment reserve $'000	Other reserves $'000	Share-holders' funds $'000	Non-controlling interests $'000	Total equity $'000
Dividends paid on ordinary shares	27	–	–	–	(3,637)	–	–	(3,637)	–	(3,637)
Issuance of ordinary shares pursuant to scrip dividend scheme	25	1,947	–	–	–	–	–	1,947	–	1,947
Share issuance expense	25	(64)	–	–	–	–	–	(64)	–	(64)
Sale of treasury shares		–	3,976	–	–	–	2,187	6,163	–	6,163
Transfer of treasury shares pursuant to exercise of share options	25	–	16	–	–	–	(4)	12	–	12
Employee equity benefits expense	31	–	–	–	–	–	100	100	–	100
Total contributions by and distribution to owners		1,883	3,992	–	(3,637)	–	2,283	4,521	–	4,521
Liquidation of a subsidiary		–	–	–	–	–	–	–	560	560
Acquisition of a subsidiary	13	–	–	–	–	–	–	–	23,348	23,348
Acquisition of non-controlling interests without a change in control	13	–	–	–	–	–	1,406	1,406	(11,629)	(10,223)
Total changes in ownership interests in subsidiaries		–	–	–	–	–	1,406	1,406	12,279	13,685
Balance as at 31 March 2013		31,740	–	1,090	82,129	–	3,671	118,630	13,148	131,778

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 2013

(In Singapore dollars)

Company	Note	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Other reserve $'000	Total equity $'000
Balance as at 1 April 2011		28,932	(3,992)	27,568	(18)	52,490
Profit for the financial year, net of tax		–	–	25,498	–	25,498
Total comprehensive income for the financial year		–	–	25,498	–	25,498
Dividends paid on ordinary shares	27	–	–	(3,580)	–	(3,580)
Issuance of ordinary shares pursuant to scrip dividend scheme	25	1,000	–	–	–	1,000
Share issuance expense	25	(75)	–	–	–	(75)
Total transactions with owners in their capacity as owners		925	–	(3,580)	–	(2,655)
Balance as at 31 March 2012		29,857	(3,992)	49,486	(18)	75,333
Balance as at 1 April 2012		29,857	(3,992)	49,486	(18)	75,333
Profit for the financial year, net of tax		–	–	17,993	–	17,993
Total comprehensive income for the financial year		–	–	17,993	–	17,993
Dividends paid on ordinary shares	27	–	–	(3,637)	–	(3,637)
Sale of treasury shares		–	3,976	–	2,187	6,163
Issuance of ordinary shares pursuant to scrip dividend scheme	25	1,947	–	–	–	1,947
Share issuance expense	25	(64)	–	–	–	(64)
Transfer of treasury shares pursuant to exercise of share options	25	–	16	–	(4)	12
Total transactions with owners in their capacity as owners		1,883	3,992	(3,637)	2,183	4,421
Balance as at 31 March 2013		31,740	–	63,842	2,165	97,747

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 2013

(In Singapore dollars)

	Note	2013 $'000	2012 $'000
Cash flows from operating activities:			
Profit from operations before taxation		26,997	13,898
Adjustments for:			
Depreciation of property, plant and equipment	12	7,147	5,567
Amortisation of intangible assets	10	48	646
Gain on sale of property, plant and equipment	4	(794)	(370)
Net fair value loss on investment securities	3	104	224
Net fair value loss on equity derivatives	3	–	134
Loss/(Gain) on disposal of available-for-sale financial assets, net	5	248	(261)
Provisional gain on bargain purchase, net of net change in fair value of available-for-sale financial assets reclassified to profit or loss upon obtaining control		(283)	–
Fixed assets written off		3	–
Loss on liquidation of a subsidiary		256	–
Employee equity benefits expense		100	–
Interest income	4	(49)	(142)
Interest expense	6	1,546	1,099
Dividend income	4	(34)	(231)
Operating cash flows before changes in working capital		35,289	20,564
Increase in gross amount due from customers for contract work-in-progress		–	3,097
(Increase)/Decrease in receivables and prepayments		(16,421)	623
Increase in inventories and work-in-progress		(2,964)	(3,744)
Increase in payables		11,264	4,288
Currency realignment		(407)	396
Cash generated from operations		26,761	25,224
Interest income received		49	142
Interest expense paid		(1,456)	(1,015)
Taxes paid, net		(3,510)	(3,755)
Net cash generated from operating activities		21,844	20,596

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 2013

(In Singapore dollars)

	Note	2013 $'000	2012 $'000
Cash flows from investing activities:			
Dividends received		34	231
Purchase of property, plant and equipment		(4,056)	(4,804)
Acquisition of subsidiaries	13	(30,033)	(24,069)
Proceeds from sale of property, plant and equipment		1,938	854
Proceeds from sale of investment in quoted shares, net of brokerage		4,460	588
Investment in equity securities, net of brokerage		(2,156)	(4,179)
Proceeds from liquidation of a subsidiary		(15)	–
Acquisition of non-controlling interests		(9,904)	–
Loans granted to staff		(168)	–
Loans repaid by staff		107	112
Net cash used in investing activities		(39,793)	(31,267)
Cash flows from financing activities:			
Dividends paid	27	(1,690)	(2,580)
Share issuance expense	25	(64)	(75)
Proceeds from bank borrowings		47,341	18,561
Proceeds from exercise of employee share options, net of transaction costs		12	–
Proceeds from sale of treasury shares		6,163	–
Repayment of bank borrowings		(19,845)	(1,088)
Repayment of finance lease		(492)	(454)
Repayment of loan from a non-controlling shareholder of a subsidiary		–	(355)
Net cash generated from financing activities		31,425	14,009
Net increase in cash and cash equivalents		13,476	3,338
Cash and cash equivalents at 1 April	18	27,314	23,800
Effect of exchange rate changes on cash and cash equivalents		121	176
Cash and cash equivalents at 31 March	18	40,911	27,314

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

1. CORPORATE INFORMATION

MTQ Corporation Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

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 relate to those of an investment holding and management company.

The nature of the operations and principal activities of the subsidiaries are described in Note 30. There have been no significant changes in the nature of these activities during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

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

The financial statements are presented in Singapore dollars ($ or SGD) and all values in the tables are rounded to the nearest thousand ($'000) as indicated.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 April 2012. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
FRS 113 *Fair Value Measurement*	1 January 2013
Amendments to FRS 107 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Improvements to FRSs 2012	1 January 2013
– Amendment to FRS 1 *Presentation of Financial Statements*	1 January 2013
– Amendment to FRS 16 *Property, Plant and Equipment*	1 January 2013
– Amendment to FRS 32 *Financial Instruments: Presentation*	1 January 2013
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
FRS 110, FRS 112 and FRS 27 *Amendments to FRS 110, FRS 112 and FRS 27: Investment Entities*	1 January 2014
FRS 110 and FRS 112 *Amendments to the transition guidance of FRS 110 Consolidated Financial Statements, and FRS 112 Disclosure of Interests in Other Entities*	1 January 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 *Standards issued but not yet effective (cont'd)*

Except for the Amendments to FRS 1 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1 are described below.

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income (OCI)* is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 *Disclosure of Interests in Other Entities* is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in financial year 2015.

2.4 *Significant accounting judgments and estimates*

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) *Judgments made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements:

<u>Income taxes</u>

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the Group's 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.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 *Significant accounting estimates and judgments (cont'd)*

(b) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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 to choose a suitable discount rate in order to calculate the present value of those cash flows.

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 the assets to be within 1 to 30 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual value of these assets, therefore, future depreciation charges could be revised.

Impairment of non-financial assets other than goodwill and indefinite life intangibles

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations.

If an impairment trigger exists, the recoverable amount of the asset is determined. Given the current uncertain economic environment, management considered that the indicators of impairment were significant enough and as such, these assets have been tested for impairment in the current financial period.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 *Foreign currency*

The Group's consolidated financial statements are presented in Singapore dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries 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 rate of exchange ruling at the end of the reporting period. 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 end of the reporting period are recognised in the profit or loss 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 other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into Singapore dollar at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.6 *Basis of consolidation and business combinations*

Basis of consolidation from 1 April 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are 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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 *Basis of consolidation and business combinations (cont'd)*

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 April 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 April 2010, was accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 April 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 April 2010 has not been restated.

Business combinations from 1 April 2010

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the period in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 *Basis of consolidation and business combinations (cont'd)*

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.13(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations prior to 1 April 2010

In comparison to the above mentioned requirements, the following differences were applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.7 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 *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 consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

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 repair work, engineering, overhaul, service work and construction contracts is recognised by reference to the stage of completion at the end of the reporting period. Stage of completion is assessed by reference to the ratio of costs incurred to-date to the estimated total costs for each contract, with due consideration given to the inclusion of only those costs that reflect work performed. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

Revenue from rental services is recognised on a straight-line basis over the lease term.

License fee revenue is recognised on an accrual basis when the Group has the right to receive payment under the relevant agreement and has performed its obligations.

Interest income is recognised using the effective interest method.

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

Revenue from sale of held-for-sale investment securities is recognised at point of sale where the contractual right to the cash flows from the securities is established.

2.9 *Employee benefits*

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies within the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the 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 end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 *Employee benefits (cont'd)*

Equity compensation plan

Employees of the Group receive remuneration in the form of share options, long-term incentive rights and retention performance rights as consideration for services rendered.

The cost of equity-settled share based payment transactions with employees is measured by reference to the fair value at the date on which the options and rights are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, together with a corresponding increase in the employee equity benefit reserve, over the vesting period. The cumulative expense recognised 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 options and rights that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and recognised in employee benefits expense.

No expense is recognised for options and rights that do not ultimately vest, except for options and rights where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the options and rights do not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee equity benefit reserve is transferred to retained earnings upon expiry of the share options and rights. When the options issued by the Company are exercised, the employee equity benefit reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares. When the options and rights issued by subsidiaries are exercised, the employee equity benefit reserve is transferred to non-controlling interests.

2.10 *Leases*

As lessee

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

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 profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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 profit or loss 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 *Leases (cont'd)*

As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.8. Contingent rents are recognised as revenue in the period in which they are earned.

2.11 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that 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 incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

2.12 *Income taxes*

(a) *Current income tax*

Current income 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 at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

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

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

(i) where the deferred tax liability arises from the initial recognition of goodwill or 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

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 *Income taxes (cont'd)*

(b) *Deferred tax (cont'd)*

Deferred tax assets are recognised for all deductible temporary differences, 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 except:

(i) where the deferred tax asset relating to the deductible temporary difference 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

(ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is 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 the end of each reporting period 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 in 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 end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(c) *Sales tax*

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

(i) 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

(ii) Receivables and payables that 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 *Intangible assets*

(a) *Goodwill*

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating 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 fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.5.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in Singapore dollar at the rates prevailing at the date of acquisition.

(b) *Other intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, there is no change in the cost of the property for measurement or disclosure purposes. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.15 up to the date of change in use.

2.15 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.11. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Leasehold buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the leasehold buildings at the end of the reporting period.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold buildings	–	the remaining term of the leases at the time of acquisition
Plant, workshop and rental equipment	–	2 to 10 years
Furniture and fixtures	–	3 to 10 years
Motor vehicles	–	3 to 10 years
Office equipment	–	1 to 5 years
Remotely operated vehicles (ROV) and vessels	–	10 to 20 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 *Property, plant and equipment (cont'd)*

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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 on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.16 *Subsidiaries*

A subsidiary 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.

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

2.17 *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 indication exists, or when an 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 group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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 increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing the inventories to their present location and condition.

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.

Finished goods and work-in-progress include the cost of direct materials, direct labour and proportion of production overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.19 *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39, as well as equity securities held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised as revenue in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(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. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

The Group's loans and receivables comprise cash and cash equivalents and trade and other receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 *Financial assets (cont'd)*

(c) Available-for-sale financial assets

Available-for-sale financial assets include equity securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

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

2.20 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised, are not included in a collective assessment of impairment.

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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 *Impairment of financial assets (cont'd)*

(a) *Financial assets carried at amortised cost (cont'd)*

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets 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.

(c) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

2.21 *Cash and cash equivalents*

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

2.22 *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 *Financial liabilities (cont'd)*

Subsequent measurement

After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

The Group's financial liabilities comprise trade and other payables, finance lease payable, bank borrowings and loan from a non-controlling shareholder of a subsidiary.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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 the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.24 *Dividend*

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.25 *Share capital and share issue expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 *Treasury shares*

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received is recognised directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 *Hedge accounting*

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Hedges of net investments

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

The Group uses loans as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. The details on hedges of net investments are disclosed in Note 35.

2.28 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.29 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.30 *Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grants related to income

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under "Other income".

2.31 *Financial guarantee*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.32 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.32 ***Related parties (cont'd)***

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. REVENUE

	Group	
	2013	**2012**
	$'000	**$'000**
Services, repair and contract revenue	145,306	48,054
Trading sales	50,157	70,616
Equipment rental income	13,387	10,083
Net fair value loss on investment securities:		
- Held for trading investment securities	(104)	(224)
- Equity derivatives	–	(134)
	208,746	128,395

4. OTHER INCOME

	Group	
	2013	2012
	$'000	$'000
Dividends	34	231
Interest income		
- bank deposits	49	124
- staff loans	–	18
Gain on sale of property, plant and equipment	794	370
Commission received	492	493
Provisional gain on bargain purchase, net of net change in fair value of available-for-sale financial asset reclassified to profit or loss upon obtaining control	283	–
Gain on disposal of scraps	103	153
Government grants	171	–
Rental income	77	–
Other income	253	99
	2,256	1,488

5. PROFIT FROM OPERATING ACTIVITIES

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

		Group	
		2013	2012
		$'000	$'000
(a)	***Manpower costs***		
	Directors' remuneration:		
	- Salaries, wages and bonuses	1,929	1,872
	- Defined contribution plan expense	12	13
	- Others	49	4
	Other key management personnel:		
	- Salaries, wages and bonuses	2,782	701
	- Defined contribution plan expense	148	32
	- Share-based payments	81	–
	- Others	478	52
	Other employees' remuneration:		
	- Salaries, wages and bonuses	43,610	26,121
	- Defined contribution plan expense	3,678	2,978
	- Share-based payments	19	–
	- Others	3,333	2,494
		56,119	34,267

Manpower costs of $29,367,000 (2012: $15,754,000) have been included in cost of sales.

5. PROFIT FROM OPERATING ACTIVITIES (CONT'D)

		Group	
	Note	2013 $'000	2012 $'000
(b)	***Other operating expenses***		
	Allowance for impairment of trade receivables	17	263	702
	Bad debts written-off/(recovered)		31	(14)
	Amortisation of intangible assets	10	48	646
	Depreciation of property, plant and equipment	12	1,969	1,629
	Directors' fees paid to Directors of the Company		189	220
	Inventories written down	16	373	410
	Gain on exchange		(204)	(199)
	Consultancy fees paid to a Director		75	–
	Legal and professional fees		2,357	1,643
	Non-audit fees paid to:			
	- Auditors of the Company		91	67
	- Auditors of subsidiaries		27	29
	Audit fees paid to:			
	- Auditors of the Company		372	336
	- Auditors of subsidiaries		448	197
	Loss on liquidation of a subsidiary		256	–
	Loss/(Gain) on disposal of available-for-sale financial assets		248	(261)
	Operating lease expenses		4,281	2,582
(c)	***Cost of sales***			
	Operating lease expenses		12,681	38
	Depreciation of property, plant and equipment	12	5,178	3,938

6. FINANCE COSTS

	Group	
	2013 $'000	2012 $'000
Interest on:		
- bank loans	1,491	1,036
- finance lease payables	53	63
- others	2	–
	1,546	1,099

7. TAXATION

(a) *Major components of income tax expense/(credit)*

	Group	
	2013	2012
	$'000	$'000
Statement of comprehensive income		
Current income tax		
- Current income taxation	5,153	3,664
- Over provision in respect of previous years	(477)	(3,796)
- Withholding tax	32	273
	4,708	141
Deferred income tax		
- Movements in temporary differences	(827)	(782)
- Under/(Over) provision in respect of previous years	122	(68)
	(705)	(850)
Tax expense/(credit) recognised in the statement of comprehensive income	4,003	(709)

(b) *Relationship between tax expense/(credit) and accounting profit*

A reconciliation between tax expense/(credit) and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 March 2013 and 31 March 2012 are as follows:

Profit before taxation	26,997	13,898
Tax at Singapore statutory tax rate of 17% (2012: 17%)	4,589	2,363
Effect of difference in effective tax rates of other countries	1,988	781
Non-deductible expenses	1,123	1,096
Income not subject to taxation	(1,616)	(321)
Effect of partial tax exemption and tax incentives	(871)	(933)
Deferred tax assets not recognised	553	–
Benefits from previously unrecognised tax losses	(1,500)	–
(Over)/Under provision in respect of previous years		
- current tax	(477)	(3,796)
- deferred tax	122	(68)
Withholding tax	32	273
Others	60	(104)
Tax expense/(credit) recognised in the statement of comprehensive income	4,003	(709)

8. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the financial year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing the profit for the financial year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding 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 share data used in the computation of basic and diluted earnings per share for the financial years ended 31 March 2013 and 31 March 2012:

	Group	
	2013	2012
	$'000	$'000
Profit net of tax attributable to owners of the Company	21,565	14,607

	Number of shares	
	2013	2012
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation*	93,512	89,616
Effects of dilution:		
- Share options	–	14
Weighted average number of ordinary shares for diluted earnings per share computation	93,512	89,630

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions (Note 25) and 2,407,000 ordinary shares (2012: 1,249,000) issued under the scrip dividend scheme (Note 25) during the year. There are no outstanding share options as at 31 March 2013 (2012: 30,000).

9. GOODWILL

	Group
	$'000
At 1 April 2011	7,592
Acquisitions through business combination (Note 13)	4,560
Currency realignment	194
At 31 March 2012 and 1 April 2012	12,346
Currency realignment	(70)
At 31 March 2013	12,276

9. GOODWILL (CONT'D)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to three cash-generating units (CGUs) for impairment testing as follows:

- Premier Group
- Engine Systems (excluding Highway Diesel)
- Highway Diesel

The carrying amounts of goodwill allocated to each CGU are as follows:

	Group	
	2013	**2012**
	$'000	**$'000**
Premier Group	4,560	4,560
Engine Systems (excluding Highway Diesel)	7,245	7,312
Highway Diesel	471	474
	12,276	12,346

The recoverable amounts of the CGUs are determined based on value in use calculations derived from cash flow projections.

The cash flow projections for the first year are derived from financial budgets for the year ending 31 March 2014. Cash flows for a further 4 years are extrapolated using growth rates ranging from 0.0% to 5.0% (2012: 0.0% to 5.0%), based on management's knowledge and past experience of the businesses.

The terminal value of the CGUs was estimated by extrapolating the projected cash flow in the 5th year through perpetuity at growth rates ranging from 0.0% to 1.0% (2012: 0.0% to 1.0%) and discounting it. Pre-tax discount rates ranging from 12.5% to 15.0% (2012: 14.3% to 15.0%) have been applied to discount the projected cash flows.

Based on the impairment assessment, the recoverable amounts of the CGUs are found to be higher than their carrying amounts.

The Group believes that any reasonably possible change in the above key assumptions relating to growth rates and discount rates are not likely to cause any of the recoverable amounts of the CGUs to be materially lower than the related carrying amounts.

10. INTANGIBLE ASSETS

	Customer contracts	Non-compete clause	Provisional intangible assets	Total
	$'000	$'000	$'000	$'000
Group				
Cost:				
At 1 April 2011	–	145	–	145
Acquisition through business combination (Note 13)	596	–	–	596
Currency realignment	–	5	–	5
At 1 April 2012 and 31 March 2012	596	150	–	746
Acquisition through business combination (Note 13)	–	–	18,149	18,149
Currency realignment	–	(1)	–	(1)
At 31 March 2013	596	149	18,149	18,894
Accumulated amortisation:				
At 1 April 2011	–	28	–	28
Amortisation for the year	596	50	–	646
At 1 April 2012 and 31 March 2012	596	78	–	674
Amortisation for the year	–	48	–	48
At 31 March 2013	596	126	–	722
Net carrying amount:				
At 31 March 2013	–	23	18,149	18,172
At 31 March 2012	–	72	–	72

During the financial year ended 31 March 2013, the Group increased its equity stake in its available-for-sale financial asset, Neptune Marine Services Limited ("Neptune"). On 14 December 2012, Neptune became a subsidiary of the Group. As part of the acquisition, the Group has identified provisional intangible assets arising from Neptune and its subsidiaries. The carrying amount of these intangible assets and the amortisation will be adjusted on a retrospective basis when the final allocation of purchase price has been completed.

During the financial year ended 31 March 2012, the Group acquired 100% of the issued shares of Premier Sea & Land Limited ("Premier"). As part of the acquisition, the Group acquired an intangible asset in the form of customer contracts arising from the business of Premier and its subsidiaries.

Information on the acquisition of Neptune and Premier has been disclosed in Note 13(a) and Note 13(b) respectively.

11. INVESTMENT PROPERTY

	Company $'000
Balance sheet:	
Cost	
At 1 April 2011	7,233
Improvements	14
At 31 March 2012 and 1 April 2012	7,247
Improvements	11
Disposals	(3)
At 31 March 2013	7,255
Accumulated depreciation	
At 1 April 2011	6,139
Depreciation	42
At 31 March 2012 and 1 April 2012	6,181
Depreciation	46
Disposals	(1)
At 31 March 2013	6,226
Net carrying amount	
At 31 March 2013	1,029
At 31 March 2012	1,066

	Company	
	2013 $'000	2012 $'000
Statement of comprehensive income:		
Rental income from investment properties charged to subsidiaries	2,817	2,591
Direct operating expenses (including repairs and maintenance) arising from rental generating properties	1,407	1,327

The fair value of the investment property held by the Company as at 31 March 2013 amounted to $6,429,000 (2012: $5,400,000). During the financial year ended 31 March 2013, the valuation was performed by management using income approach. Management made reference to fair market rental for similar property in the vicinity. The following assumptions were considered in determining the fair value of the property being valued:

- Escalation rate: 5.5%
- Discount rate: 4.0%
- Rental rate per meter square per annum: $36.36

During the financial year ended 31 March 2012, the valuation was performed by an accredited independent valuer with recent experience in the location and categories of the property being valued.

11. INVESTMENT PROPERTY (CONT'D)

The investment property held by the Company as at 31 March 2013 is as follows:

Location	Description	Tenure
182 Pandan Loop Singapore 128373	Office building and workshop	27 years lease from 16 September 2009

12. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings $'000	Plant, workshop, ROV and rental equipment $'000	Furniture and fixtures, office equipment and motor vehicles $'000	Assets under construction $'000	Total $'000
Cost					
At 1 April 2011	7,233	40,495	11,503	13,690	72,921
Currency realignment	–	177	220	(210)	187
Additions	52	3,795	552	2,930	7,329
Acquisition through business combination (Note 13)	6,695	1,013	924	13	8,645
Disposals/Write-offs	(30)	(344)	(498)	(346)	(1,218)
Transfers	14,374	463	864	(15,701)	–
At 31 March 2012 and 1 April 2012	28,324	45,599	13,565	376	87,864
Currency realignment	(172)	(523)	(58)	12	(741)
Additions	11	2,459	953	729	4,152
Acquisition through business combination (Note 13)	–	26,122	3,400	939	30,461
Disposals/Write-offs	(3)	(2,361)	(408)	–	(2,772)
Transfers	–	232	365	(597)	–
At 31 March 2013	28,160	71,528	17,817	1,459	118,964
Accumulated depreciation					
At 1 April 2011	6,139	16,901	8,573	–	31,613
Currency realignment	–	96	161	–	257
Depreciation	458	3,836	1,273	–	5,567
Disposals/Write-offs	–	(255)	(479)	–	(734)
At 31 March 2012 and 1 April 2012	6,597	20,578	9,528	–	36,703
Currency realignment	(5)	(421)	(59)	–	(485)
Depreciation	519	5,046	1,582	–	7,147
Disposals/Write-offs	–	(1,297)	(328)	–	(1,625)
At 31 March 2013	7,111	23,906	10,723	–	41,740
Net carrying amount					
At 31 March 2013	21,049	47,622	7,094	1,459	77,224
At 31 March 2012	21,727	25,021	4,037	376	51,161

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Workshop equipment	Furniture and fixtures, office equipment and motor vehicles	Asset under construction	Total
	$'000	$'000	$'000	$'000
Cost				
At 1 April 2011	209	1,923	–	2,132
Additions	–	54	93	147
Disposals/Write-offs	–	(306)	–	(306)
At 31 March 2012 and 1 April 2012	209	1,671	93	1,973
Additions	–	171	21	192
Transfer	–	114	(114)	–
At 31 March 2013	209	1,956	–	2,165
Accumulated depreciation				
At 1 April 2011	209	1,479	–	1,688
Depreciation	–	200	–	200
Disposals/Write-offs	–	(300)	–	(300)
At 31 March 2012 and 1 April 2012	209	1,379	–	1,588
Depreciation	–	155	–	155
At 31 March 2013	209	1,534	–	1,743
Net carrying amount				
At 31 March 2013	–	422	–	422
At 31 March 2012	–	292	93	385

In the previous financial year ended 31 March 2012, the Group revised the estimated useful life of certain machinery and equipment from 5 years to 10 years to reflect the longer estimated useful life than that the Group had historically estimated. The revision in accounting estimate was applied prospectively from 1 April 2011.

(a) ***The Group's leasehold land and buildings are located at:***

Location	Description	Area sq. m.	Tenure	Net carrying amount 2013 $'000	Net carrying amount 2012 $'000
Leasehold building					
182 Pandan Loop, Singapore 128373*	Office building and workshop	14,271	27 years lease from 16 September 2009	1,029	1,066
Bahrain International Investment Park, H100, Kingdom of Bahrain	Office building and workshop	40,000	50 years from 1 September 2009	13,607	14,086
54 Loyang Way Singapore 508747	Office building and workshop	6,912	57 years lease from 1 March 1995	6,413	6,575
				21,049	21,727

* This leasehold building has been classified as investment property at Company level as the property is leased to subsidiaries (Note 11).

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) ***Assets pledged as securities***

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

	Net carrying amount	
	2013	**2012**
	$'000	**$'000**
Leasehold buildings	13,607	14,086
Assets under construction	–	268
Furniture and fixtures, office equipment and motor vehicles	2,595	2,575
Plant and workshop equipment	11,250	12,805

(c) ***Assets held under finance lease***

During the year, the Group acquired property, plant and equipment with an aggregate cost of $96,000 (2012: $332,000), by means of finance leases.

The carrying amount of property, plant and equipment held under finance lease as at 31 March 2013 was $1,410,000 (2012: $561,000) (Note 20).

Leased assets are pledged as security for the related finance lease liabilities.

(d) ***Assets under construction***

As at 31 March 2013, included in the Group's assets under construction is an amount of $1,443,000 (2012: $nil) relating to the construction and refurbishment of plant and equipment. No borrowing costs have been capitalised for the financial years ended 31 March 2013 and 31 March 2012.

13. INVESTMENT IN SUBSIDIARIES

	Note	Company 2013 $'000	Company 2012 $'000
Unquoted shares, at cost:			
At 1 April		58,490	31,753
Acquisition of a subsidiary		–	27,279
Transfer of investments from a subsidiary		21,967	–
Repayment of capital contribution by a subsidiary		(27,279)	–
Liquidation of a subsidiary		(4,679)	(542)
At 31 March	30	48,499	58,490
Allowance for impairment in value of investments		(5,858)	(10,537)
		42,641	47,953
Intercompany indebtedness:			
Amounts due from subsidiaries			
- Non-trade		5,722	8,199
Allowance for impairment of intercompany indebtedness		(432)	(2,858)
		5,290	5,341
Total investment in subsidiaries		47,931	53,294

(a) Further details regarding the cost of investment in subsidiaries are set out in Note 30.

(b) On 8 March 2013, investments in Premier Sea & Land Pte Ltd and Pemac Pte Ltd held by Premier Sea & Land Limited, a subsidiary of the Company, were transferred to the Company.

(c) Movement in allowance for impairment in value of investments:

	Company 2013 $'000	Company 2012 $'000
At 1 April	10,537	10,537
Utilised upon liquidation of a subsidiary	(4,679)	–
At 31 March	5,858	10,537

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Intercompany indebtedness

The amounts and loans owing by subsidiaries included as part of the Company's net investment in subsidiaries are unsecured, interest-free, have no repayment terms and are repayable only when the cash flows of the subsidiaries 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 of these loans and receivables cannot be estimated reliably.

The non-current amounts due from subsidiaries that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Company	
	2013	**2012**
	$'000	**$'000**
Amounts due from subsidiaries – nominal value	446	2,885
Less: Allowance for impairment	(432)	(2,858)
	14	27
Allowance for impairment of intercompany indebtedness:		
At 1 April	2,858	2,973
Write-back for the year	–	(115)
Utilised upon liquidation of a subsidiary	(2,426)	–
At 31 March	432	2,858

Business acquisitions

(a) Neptune Marine Services Limited ("Neptune")

On 1 November 2012, the Company's subsidiary, Blossomvale Investments Pte Ltd ("Blossomvale"), made an offer (the "Offer") for all the issued ordinary shares in the capital of Neptune, other than those already acquired by Blossomvale, at an offer price of A$0.032 per share. As at the date of offer, the Group held an equity interest of 19.24% in Neptune and accounted for it as an available-for-sale financial asset. The Offer was approved by shareholders of the Company at an Extraordinary General Meeting held on 20 November 2012. On 14 December 2012, being the initial Offer close date, Blossomvale's equity interest in Neptune increased to 71.76%. Accordingly, Neptune became a subsidiary of the Group. The Offer close date was extended to 5 April 2013.

Neptune and its subsidiaries (the "Neptune Group") provide engineering services to offshore oil and gas, marine and renewable energy industries which are complementary to the Group's focus on subsea engineering. This will create opportunities to cross-sell services to the customers of the Group and the Neptune Group and will strengthen engagement with common customers.

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Business acquisitions (cont'd)

(a) Neptune Marine Services Limited ("Neptune") (cont'd)

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of Neptune's net identifiable assets. As at the acquisition date, the provisional fair value of the identifiable assets and liabilities of Neptune were:

	Note	Group $'000
Property, plant and equipment	12	30,461
Intangible assets	10	18,149
Deferred tax assets	23	3,384
Inventories		5,058
Trade and other receivables		36,504
Cash and cash equivalents		9,749
Tax recoverable		111
Trade and other payables		(18,185)
Provisions	24	(291)
Finance leases		(400)
Deferred tax liabilities	23	(1,876)
Total identifiable net assets at fair value		82,664
Non-controlling interest measured at the non-controlling interest's proportion share of Neptune's net identifiable assets		(23,348)
Gain on bargain purchase recognised directly in profit or loss		(5,086)
Total investment in subsidiary at acquisition date		54,230

	Group $'000
Effect of acquisition of Neptune on cash flows	
Total consideration, including costs previously recognised as available-for-sale financial asset	59,033
Cumulative fair value loss previously recognised in other comprehensive income	(4,803)
Total investment in subsidiary at acquisition date	54,230
Cost of investment reclassified from available-for-sale financial asset	(14,448)
Purchase consideration settled in cash	39,782
Less: Cash and cash equivalents of subsidiaries acquired	(9,749)
Net cash outflows on acquisition of a subsidiary	30,033

Provisional accounting of the acquisition of Neptune

On the date of acquisition, the fair value of the assets and liabilities amounting to $82,664,000 was determined on a provisional basis. Gain on bargain purchase arising from this acquisition, the carrying amount of the assets and liabilities, and the amortisation of the intangible assets will be adjusted accordingly on a retrospective basis when the final allocation of purchase price has been completed.

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Business acquisitions (cont'd)

(a) Neptune Marine Services Limited ("Neptune") (cont'd)

Net change in fair value of available-for-sale financial asset

The Group recognised a deemed loss on disposal of available-for-sale financial asset of $4,803,000 as a result of reclassifying the cumulative loss previously recognised in other comprehensive income to profit or loss upon the acquisition of Neptune.

The provisional gain on bargain purchase and the deemed loss on disposal of available-for-sale financial assets totalling to $283,000 are included in "Provisional gain on bargain purchase, net of net change in fair value of available-for-sale financial asset reclassified to profit or loss upon obtaining control" within "Other income" in the Group's profit or loss for the year ended 31 March 2013.

Transaction costs

Transaction costs related to the acquisition of $1,183,000 have been recognised in the 'Other operating expenses' line item in the Group's profit or loss for the financial year ended 31 March 2013.

Impact of the acquisition on profit or loss

From the acquisition date, Neptune Group has contributed $58,925,000 and $5,537,000 to the Group's revenue and profit for the financial year respectively. Had the business combination taken place on 1 April 2012, the Group's revenue would have been increased by $90,462,000 and profit would have been reduced by $81,101,000 for the financial year.

(b) Premier Sea & Land Limited

On 6 July 2011, the Group acquired 100% of the issued shares of Premier Sea & Land Limited ("Premier"). Premier, together with its subsidiaries ("Premier Group"), is engaged in the business of providing oilfield equipment primarily used in drilling applications in Southeast Asia.

The acquisition will allow the Group to increase the scope and scale of its core Oilfield operations in the following ways:

- expanding the current rental equipment range offered by the Group and potentially achieve synergies in packaging the different equipment for rental, and enabling the Group to act as a direct seller or re-seller of a wider range of oilfield equipment and products;

- capitalising on Premier Group's business relationships with the respective Original Equipment Manufacturers ("OEM") and achieve synergies in the area of cross selling the Group's services to the respective OEMs; and

- increasing production capacity to the Group's machining and fabrication business and potentially increasing the equipment range that the Group is servicing.

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Business acquisitions (cont'd)

(b) Premier Sea & Land Limited (cont'd)

The fair value of the identifiable assets and liabilities of Premier Group as at the acquisition date were:

	Note	Group $'000
Property, plant and equipment	12	8,645
Intangible assets – customer contracts	10	596
Inventories		6,265
Cash and cash equivalents		3,210
Trade and other receivables		9,133
Trade and other payables		(4,385)
Provision for taxation		(291)
Deferred tax liabilities	23	(454)
Total identifiable net assets at fair value		22,719
Goodwill arising from acquisition	9	4,560
Total consideration on acquisition		27,279
Effect of acquisition of Premier Group on cash flows		
Purchase consideration settled in cash		27,279
Less: Cash and cash equivalents of subsidiaries acquired		(3,210)
Net cash outflows on acquisition of subsidiaries		24,069

Customer contracts

Customer contracts relate to open orders with certain major customers of Premier Group that were completed during the previous financial year. Accordingly, the customer contracts were fully amortised during the financial year ended 31 March 2012 (Note 10).

Transaction costs

Transaction costs related to the acquisition of $168,000 was recognised in the 'Other operating expenses' line item in the Group's profit or loss for the financial year ended 31 March 2012.

Goodwill arising from acquisition

As part of the acquisition of Premier, goodwill was recognised as the Group expected the acquisition to further expand the Group's range of service and repair, as well as rental capabilities.

Impact of the acquisition on profit or loss

From the acquisition date, Premier Group has contributed $30,053,000 and $5,904,000 to the Group's revenue and profit for the financial year ended 31 March 2012 respectively. Had the business combination taken place on 1 April 2011, the Group's revenue and profit for the financial year ended 31 March 2012 would have been increased by $10,096,000 and $1,782,000 respectively.

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of non-controlling interests

On 31 December 2012 and 31 March 2013, Blossomvale acquired an additional 6.46% and 7.05% equity interest in Neptune respectively from its non-controlling interests for a total cash consideration of $10,223,000, resulting in a total of 85.27% interest in Neptune as at 31 March 2013. Including the consideration paid up to the date of acquisition of Neptune, the total consideration paid for Neptune as at 31 March is $69,256,000.

The carrying values of the provisional net assets of Neptune as at 31 December 2012 and 31 March 2013 were $82,664,000 and $89,146,000 respectively. The difference between the consideration and the carrying value of the additional interest acquired was recognised as "Discount paid on acquisition of non-controlling interests" in "Other reserves" within equity. The following summarises the effect of the change in the Group's ownership interest in Neptune on the equity attributable to owners of the Company:

	31 December 2013 $'000	31 March 2013 $'000	Total $'000
Decrease in equity attributable to non-controlling interests	5,343	6,286	11,629
Purchase consideration for acquisition of non-controlling interests	(4,904)	(5,319)	(10,223)
Increase in equity attributable to owners of the Company	439	967	1,406

On 5 April 2013, Blossomvale acquired an additional 1.54% equity interest in Neptune for a total consideration of $1,181,000, resulting in ownership of 86.81% equity interest in Neptune as at the end of the Offer.

14. INVESTMENT SECURITIES

	Group	
	2013 $'000	2012 $'000
Non-current assets		
Available-for-sale financial assets:		
- Equity investments, quoted (ASX & SGX-ST)	–	18,048
Current assets		
Held for trading financial assets		
- Equity investments, quoted (ASX & SGX-ST)	784	889
	784	18,937

Investment securities are investment in equity instruments that are quoted on the Singapore Exchange Securities Trading Limited (SGX-ST) and Australian Securities Exchange (ASX) and are carried at fair value.

Investment securities were denominated in the following currencies:

	Group	
	2013 $'000	2012 $'000
Singapore dollars	–	3,984
Australian dollars	784	14,953
	784	18,937

15. RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Non-current				
Amounts due from subsidiaries:				
- Interest-free loans	–	–	43,878	23,905
- Interest-bearing loans	–	–	18,829	20,823
Allowance for amounts due from subsidiaries	–	–	(2,301)	(1,912)
	–	–	60,406	42,816
Deposits	1,445	–	–	–
Staff loans, at amortised cost	145	97	–	57
Receivables	1,590	97	60,406	42,873
Prepaid staff benefits	7	16	–	9

Interest-bearing loan to a subsidiary is funded by bank borrowings – Facility 1 (Note 21). It is denominated in United States dollars and bears interest at the rate of 1.5% (2012: 1.5%) above the Bank's Swap Rate. Subsequent to the reporting date, the Group resolved to convert $2,235,600 (US$1,800,000) of the interest-free loan to share capital of the subsidiary.

The non-current amounts due from subsidiaries that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Company	
	2013	2012
	$'000	$'000
Amounts due from subsidiaries – nominal value	36,156	18,089
Less: Allowance for impairment	(2,301)	(1,912)
	33,855	16,177
Allowance for impairment:		
At 1 April	1,912	1,912
Charge for the year	389	–
At 31 March	2,301	1,912

15. RECEIVABLES AND PREPAYMENTS (CONT'D)

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Current					
Advances to suppliers (non-trade)		950	668	–	–
Prepaid staff benefits		4	46	–	5
Other prepayments		1,795	146	24	28
		2,749	860	24	33
Staff loans and prepaid staff benefits					
Staff loans at amortised costs:					
Current, classified under trade and other receivables	17	46	59	–	13
Non-current, classified under receivables and prepayments		145	97	–	57
		191	156	–	70
Prepaid staff benefits:					
Non-current		7	16	–	9
Current		4	46	–	5
		11	62	–	14

The interest-free staff loans are extended to executive directors and certain members of management of the Company and its subsidiaries to purchase cars. These loans are repayable by monthly instalments over seven years with the last repayment due in Year 2020 (2012: Year 2017). The individuals concerned had entered into agreements with the Company or the respective subsidiaries to assign all rights of ownership of the cars to the Company or the subsidiaries until full settlement of the loans. The staff loans are carried at amortised cost. The difference between the amortised cost and gross loan receivables is recognised as prepaid staff benefits.

16. INVENTORIES

	Group 2013 $'000	Group 2012 $'000
Balance sheet:		
First-in-first-out basis		
- Raw materials	4,761	3,095
- Work-in-progress	10,507	4,215
- Finished goods	5,284	5,097
- Engines and spares	339	388
	20,891	12,795

16. INVENTORIES (CONT'D)

	Group	
	2013	2012
	$'000	$'000
Weighted average basis		
- Finished goods	11,125	11,204
- Work-in-progress	92	139
- Goods-in-transit	317	267
	11,534	11,610
Total inventories at lower of cost and net realisable value	32,425	24,405
Inventories are stated after deducting allowance for inventory obsolescence of:		
- first-in-first-out basis	556	407
- weighted average basis	1,624	1,502
	2,180	1,909
Statement of comprehensive income:		
Allowance for inventory obsolescence as part of other operating expenses (Note 5(b)):		
- Inventories written down	373	410

The costs of inventories recognised in cost of sales amounted to $99,336,000 (2012: $63,035,000).

17. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2013	2012	2013	2012
		$'000	$'000	$'000	$'000
Trade receivables		76,000	26,847	–	–
Staff loans, current	15	46	59	–	13
Sundry deposits		209	127	5	2
Sundry receivables		602	211	24	35
Amounts due from subsidiaries:					
- Trade		–	–	9,229	2,441
- Dividend receivable		–	–	336	14,458
		76,857	27,244	9,594	16,949
Trade and other receivables are stated after deducting an allowance for doubtful receivables of:					
- Trade receivables		2,759	1,069	–	–

17. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade and other receivables are denominated in the following currencies at the end of the reporting period:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Singapore dollars	8,780	9,887	9,258	16,844
Australian dollars	41,702	6,583	336	105
United States dollars	20,957	10,732	–	–
Bahraini Dinar	6	42	–	–
British Pounds	5,412	–	–	–
	76,857	27,244	9,594	16,949

Trade receivables

Trade receivables are non-interest bearing and are generally on 0 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Dividend receivables are non-interest bearing and are generally receivable when they are declared by the subsidiaries of investments.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $47,234,000 (2012: $12,184,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2013	2012
	$'000	$'000
Trade receivables past due but not impaired:		
Lesser than 30 days	24,957	6,668
30 to 60 days	12,244	1,810
61 to 90 days	5,187	2,112
More than 90 days	4,846	1,594
	47,234	12,184

Receivables that are impaired

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements. Trade receivables that are determined to be collectively impaired pertains to impairment provisions made on debtor groups with similar credit risk characteristics that are indicative of the debtors' ability to pay amounts.

17. TRADE AND OTHER RECEIVABLES (CONT'D)

The Group's trade and other receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

		Group			
		Individually impaired		Collectively impaired	
	Note	2013	2012	2013	2012
		$'000	$'000	$'000	$'000
Trade receivables – nominal value		2,151	1,730	608	75
Less : Allowance for impairment		(2,151)	(994)	(608)	(75)
		–	736	–	–
Allowance for impairment:					
At 1 April		994	316	75	75
Acquisition through business combination		1,584	–	–	–
Exchange differences		–	7	–	–
(Write-back of)/Allowance for impairment	5(b)	(270)	702	533	–
Utilised		(157)	(31)	–	–
At 31 March		2,151	994	608	75

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Fixed deposits	444	499	–	–
Cash at banks and in hand	40,467	26,815	6,809	5,886
	40,911	27,314	6,809	5,886

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from nil% to 2.85% (2012: nil% to 4.25%) per annum. Fixed deposits are made for varying periods of between one week and three months (2012: one week and two weeks) depending on the immediate cash requirements of the Group, at a weighted average interest rate of 4.48% (2012: 5.72%) per annum.

Cash and cash equivalents at 31 March were denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Singapore dollars	17,794	10,240	6,475	2,206
Australian dollars	10,024	2,370	1	1
United States dollars	11,112	14,221	330	3,677
Bahraini Dinar	338	441	1	1
British Pounds	1,524	–	–	–
Others	119	42	2	1
	40,911	27,314	6,809	5,886

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current				
Trade payables	22,611	13,281	–	–
Sundry payables	664	1,289	65	76
Accrual for staff-related costs	13,972	6,503	2,523	1,628
Sundry accruals	14,856	2,388	315	303
Amounts owing to subsidiaries:				
- Non-trade	–	–	34	–
	52,103	23,461	2,937	2,007
Non-current				
Amounts owing to subsidiaries:				
- Interest-free loans	–	–	6,220	4,878

Trade and other payables at 31 March were denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current				
Singapore dollars	14,185	12,256	2,931	2,007
Australian dollars	27,257	6,526	–	–
United States dollars	6,965	4,180	–	–
Bahraini Dinar	393	121	6	–
Euro	173	184	–	–
Japanese Yen	231	88	–	–
British Pounds	2,782	–	–	–
Others	117	106	–	–
	52,103	23,461	2,937	2,007
Non-current				
Singapore dollars	–	–	6,220	4,878

Trade payables

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

Other payables

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

19. TRADE AND OTHER PAYABLES (CONT'D)

Amounts owing to subsidiaries

Current amounts owing to subsidiaries are unsecured, non-interest bearing and are repayable on demand in cash.

Non-current loans owing to subsidiaries are unsecured, non-interest bearing and have no repayment terms. 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.

20. FINANCE LEASE PAYABLE

At 31 March 2013 and 31 March 2012, the Group has obligations for certain workshop equipment under finance lease (Note 12(c)).

The lease includes an option to purchase the equipment for a nominal sum. Future minimum lease payments under finance lease and the present value of the net minimum lease payments are as follows:

	Group			
	2013		2012	
	Minimum lease payments $'000	Present value of payments $'000	Minimum lease payments $'000	Present value of payments $'000
Within 1 year	598	564	479	429
After 1 year but within 5 years	387	352	502	480
Total minimum lease payments	985	916	981	909
Less : Amount representing finance charges	(69)	–	(72)	–
Present value of minimum lease payments	916	916	909	909

The average discount rate implicit in the finance lease is between 4.0% to 15.0% (2012: 5.9% to 7.2%) per annum. The finance leases are denominated in Australian dollars and British Pounds.

21. BANK BORROWINGS

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Bank borrowings, current portion				
Secured (Facility 1)	3,491	3,839	3,491	3,839
Secured (Facility 2)	2,111	2,137	–	–
Secured (Facility 3)	3,342	1,124	–	–
Secured (Facility 4)	–	17,004	–	17,004
	8,944	24,104	3,491	20,843

21. BANK BORROWINGS (CONT'D)

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Bank borrowings, non-current portion				
Secured (Facility 1)	15,338	16,984	15,338	16,984
Secured (Facility 3)	550	3,928	–	–
Secured (Facility 5)	10,610	–	–	–
Secured (Facility 6)	37,217	–	–	–
	63,715	20,912	15,338	16,984
	72,659	45,016	18,829	37,827

Bank borrowings are denominated in the following currencies at the end of the reporting period:

Singapore dollars	5,900	–	–	–
Australian dollars	41,109	5,052	–	–
United States dollars	25,650	39,964	18,829	37,827
	72,659	45,016	18,829	37,827

Secured bank borrowings:

Facility 1

The United States dollars denominated long term bank loans are repayable over quarterly instalments of between US$188,000 and US$575,000 (approximately $238,000 and $729,000) starting from December 2012 with last instalment due on 31 December 2022. Interest is payable at the rate of 1.50% above the Bank's Swap Rate. The facility is used to fund a loan to a subsidiary (Note 15).

The facility is secured by the following:

– first all-monies registered legal mortgage over a 50-year leasehold land and property at Bahrain International Investment Park, Hidd, Kingdom of Bahrain;

– first registered fixed and floating charge over assets of a subsidiary;

– registered charge over the book debts of the Company; and

– corporate guarantee from a subsidiary of the Company.

Facility 2

The United States dollars denominated long term bank loan is repayable on 28 May 2013. Accordingly, the entire loan amount has been classified as a current liability. Interest is payable at the rate of 1.75% per annum over the bank's prevailing Cost of Funds.

The facility is secured by a corporate guarantee from the Company.

21. BANK BORROWINGS (CONT'D)

Facility 3

The Australian dollars denominated long term bank loans are repayable over monthly instalments of A$25,000 to A$47,000 (approximately $32,000 to $59,000) with the last instalment due on 31 July 2015 and 1 September 2013 respectively. Interest is payable at the rate of between 1.50% per annum and 5.50% per annum over and above the Australian Bank Bill Rate.

The facility is secured by the following:

– fixed and floating charge over all assets of certain subsidiaries; and

– corporate guarantee from the Company.

Facility 4

The United States dollars denominated short term bank loan was repaid on 9 April 2012. Interest was payable at the rate of 1.25% per annum over the prevailing SIBOR rate.

The facility was secured by a first party charge over all the shares of a certain subsidiary and the rights related to those shares. The charge was released upon repayment of the loan.

Facility 5

The multi currency dollars denominated long term bank loan is repayable on 27 April 2015. Interest is payable at the rate of 2.35% per annum over the prevailing Swap Offer or SIBOR rates depending on the currency being drawn.

The facility is secured by a corporate guarantee from the Company.

Facility 6

The Australian dollars denominated bank loan is repayable on 30 April 2014. Interest is payable at the rate of 2.75% per annum over the bank's prevailing Cost of Funds. The facility is used solely to fund the acquisition of a subsidiary, Neptune Marine Services Limited.

The facility is secured by the following:

– a registered equitable charge over all scripless shares of the subsidiary; and

– corporate guarantee from the Company.

22. LOAN FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

As at 31 March 2012, the loan from a non-controlling shareholder of a subsidiary relates to loan from Mr. Samuel Bernard Sassoon to MTQ Subsea Technology Pte Ltd, a 77.51% owned subsidiary of the Company. Mr. Sassoon was also a director of MTQ Subsea Technology Pte Ltd.

The loan was unsecured and interest-free.

The loan has been settled during the year upon liquidation of MTQ Subsea Technology Pte Ltd.

23. DEFERRED TAX ASSETS/(LIABILITIES)

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
At 1 April		160	(265)	13	(18)
Currency realignment		141	29	–	–
Written back/(Provided) during the financial year	7	705	850	(191)	31
Acquisition through business combination	13	1,508	(454)	–	–
At 31 March		2,514	160	(178)	13
Deferred tax as at 31 March relates to the following:					
Deferred tax assets					
Unabsorbed capital allowances and unutilised tax losses		3,281	416	–	–
Employee benefits		1,037	872	23	27
Other provisions		2,433	985	–	–
Transaction costs on equity issue of a subsidiary		1,346	–	–	–
Others		116	32	–	–
		8,213	2,305	23	27
Deferred tax liabilities					
Excess of net book value over tax written down value of property, plant and equipment		(4,328)	(2,137)	(201)	(14)
Unrealised foreign exchange gain		(876)	(8)	–	–
Others		(495)	–	–	–
		(5,699)	(2,145)	(201)	(14)
Deferred tax assets/(liabilities), net		2,514	160	(178)	13

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 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Deferred tax assets	5,066	1,566	–	13
Deferred tax liabilities	(2,552)	(1,406)	(178)	–
Deferred tax assets/(liabilities), net	2,514	160	(178)	13

At the end of the reporting period, certain subsidiaries had unutilised tax losses of approximately $92,629,000 (2012: $2,097,000) and unabsorbed capital allowances of approximately $1,902,000 (2012: $1,608,000), net of amounts transferred under the group relief transfer system, that are available for offset against future taxable income of the subsidiaries in which the losses arose. The use of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with the certain provisions of the tax legislation of the countries where the subsidiaries subside.

The potential tax benefit of approximately $22,325,000 (2012: $809,000) from these unutilised tax losses and unabsorbed capital allowances has not been recognised in the financial statements due to the uncertainty of their recoverability.

24. PROVISIONS

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current	1,247	1,259	–	–
Non-current	1,826	1,241	72	70
	3,073	2,500	72	70

Represented by:

	Make good provision $'000	Maintenance warranty $'000	Long-service leave $'000	Total $'000
Group				
At 1 April 2011	497	248	1,268	2,013
Currency realignment	12	7	33	52
Provisions during the year	227	20	188	435
At 31 March 2012 and 1 April 2012	736	275	1,489	2,500
Currency realignment	(95)	(4)	(8)	(107)
Acquisition through business combination (Note 13)	–	–	291	291
Provisions during the year	71	172	255	498
Utilised during the year	–	(109)	–	(109)
At 31 March 2013	712	334	2,027	3,073

	Make good provision	
	2013 $'000	2012 $'000
Company		
At 1 April	70	70
Accretion of interest	2	–
At 31 March	72	70

Make good provision

In accordance with a number of lease agreements, provisions are recognised for expected cost required to be incurred to reinstate the leased premises to their original condition upon the expiry of the leases at various dates till 2036. 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 provision. As such, the actual amounts eventually paid out could be different from the above provisions due to changes in the variables such as discount rate and inflation. However management is of the view that the current provisions are adequate to cover the cost of reinstatement.

Provision for maintenance warranty

In determining the level of provision required for maintenance warranties, the Group has made estimates in respect of the expected performance of the products, number of customers who will utilise the maintenance warranties, frequency of warranty claims and the costs of fulfilling the maintenance warranties. Historical experience and current knowledge of the performance of products has been used in determining this provision.

24. PROVISIONS (CONT'D)

Provision for long service leave

Provision for long service leave is recognised and measured at the present value of the expected future payment to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

25. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	2013		2012	
	No. of shares '000	$'000	No. of shares '000	$'000
Ordinary shares issued and fully paid				
At 1 April	97,761	29,857	96,512	28,932
Issue of shares pursuant to scrip dividend scheme	2,407	1,947	1,249	1,000
Share issuance expense	–	(64)	–	(75)
At 31 March	100,168	31,740	97,761	29,857
Treasury shares				
At 1 April	(7,482)	(3,992)	(7,482)	(3,992)
Sale of treasury shares	7,452	3,976	–	–
Reissue of shares pursuant to employee share option plans	30	16	–	–
At 31 March	–	–	(7,482)	(3,992)

During the financial year ended 31 March 2013, the Company issued 2,407,000 (2012: 1,249,000) shares pursuant to the scrip dividend scheme.

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 restrictions, except for treasury shares which have no voting rights. The ordinary shares have no par value.

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the financial year ended 31 March 2013, the Company transferred 30,000 (2012: nil) treasury shares to its employee pursuant to the share option plans at exercise price of $0.43 (2012: nil) each.

During the financial year ended 31 March 2013, the Company sold 7,452,000 (2012: nil) treasury shares at a weighted average price of $0.85 (2012: nil) each.

The outstanding options to subscribe for ordinary shares of the Company granted under the employee share option plans is disclosed in Note 31.

25. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

Proposed bonus issue

On 8 May 2013, the Company proposed a bonus issue of one new ordinary share (the "Bonus Share") for every four existing shares held in the capital of the Company (the "Proposed Bonus Issue") held as at a book closure date (the "Book Closure Date") to be determined by the Directors for the purpose of determining the entitlements of shareholders. Based on the number of issued ordinary shares as at 31 March 2013, 25,041,963 Bonus Shares (rounded up to the nearest whole number) will be issued pursuant to the Proposed Bonus Issue. The actual number of Bonus Shares to be issued will depend on the total number of issued shares in the capital of the Company as at the Book Closure Date.

The Bonus Shares will be issued as fully paid at nil consideration to entitled shareholders, without capitalisation of the Company's reserves. The Bonus Shares, when allotted and issued, will rank pari passu in all respects with the existing ordinary shares in the capital of the Company and with each other, except that the Bonus Shares will not be entitled to any dividends, rights, allotments or other distributions, the record date of which falls on a date before the date on which the Bonus Shares are allotted and issued.

The Proposed Bonus Issue is subject to the approval of the Singapore Exchange Securities Trading Limited (SGX-ST) for the listing and quotation of the Bonus Shares on the official list of the SGX-ST.

26. RESERVES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Retained earnings	82,129	64,201	63,842	49,486
Foreign currency translation reserve	1,090	1,313	–	–
Fair value adjustment reserve	–	(4,669)	–	–
Other reserves				
- Gain/(Loss) on sale/transfer of treasury shares	2,165	(18)	2,165	(18)
- Discount paid on acquisition of non-controlling interests	1,406	–	–	–
- Employee equity benefit reserve	100	–	–	–
	3,671	(18)	2,165	(18)
	86,890	60,827	66,007	49,468

Foreign currency translation reserve

The foreign currency translation reserve comprises exchange differences arising from the translation of assets and liabilities of foreign operations for inclusion in the consolidated financial statements. The foreign currency translation reserve is also used to record the effect of hedging of net investments in foreign operations.

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 disposed or impaired.

Gain/loss on sale/transfer of treasury shares

This represents the gain or loss arising from purchase, sale, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

26. RESERVES (CONT'D)

Discount paid on acquisition of non-controlling interests

The discount paid on acquisition of non-controlling interests arises from the acquisition of additional equity interest in Neptune during the year while retaining control. Information on the acquisition of non-controlling interests has been disclosed in Note 13.

Employee equity benefit reserve

Employee equity benefit reserve represents the equity-settled incentive options, long-term incentive rights and retention performance rights granted to employees (Note 31). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date (or acquisition date if later) of equity-settled share schemes, and is reduced by the expiry or exercise of the share options/ rights.

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

27. DIVIDENDS

	Group and Company	
	2013	2012
	$'000	$'000
Declared and paid during the financial year:		
Paid in respect of the previous financial year:		
- Final dividend of 2.0 cents per ordinary share under the scrip dividend scheme, tax-exempt (one-tier) (2012: 2.0 cents per ordinary share under the scrip dividend scheme, tax-exempt (one-tier))		
- Paid in Cash	852	975
- Paid in Scrip (Ordinary Shares)	954	806
	1,806	1,781
Paid in respect of the current financial year:		
- Interim dividend of 2.0 cents per ordinary share under the scrip dividend scheme, tax-exempt (one-tier) (2012: 2.0 cents per ordinary share under the scrip dividend scheme, tax-exempt (one-tier)):		
- Paid in Cash	838	1,605
- Paid in Scrip (Ordinary Shares)	993	194
	1,831	1,799
	3,637	3,580
Total paid in Cash	1,690	2,580
Total paid in Scrip (Ordinary Shares) (Note 25)	1,947	1,000
	3,637	3,580
Proposed but not recognised as a liability as at 31 March:		
After the end of the reporting period, the Directors proposed the following dividends:		
Final dividend of 2.0 cents per ordinary share* under the scrip dividend scheme, tax exempt (one-tier) (2012: 2.0 cents per ordinary share under the scrip dividend scheme, tax exempt (one-tier))	2,504	1,806

* The proposed dividends are in respect of all shares in issue, including the Bonus Shares pursuant to the Proposed Bonus Issue (Note 25)

27. DIVIDENDS (CONT'D)

Dividends in respect of the current and previous financial year are declared and proposed under the scrip dividend scheme which allows the ordinary shareholder to elect to receive the dividends in cash or ordinary shares.

The proposed final dividend 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.

28. COMMITMENTS AND CONTINGENCIES

(a) ***Operating leases – as lessee***

The Group leases certain properties, equipment and vehicles for its operations under lease agreements that are non-cancellable. The leases expire at various dates till year 2059 with the property leases containing provisions for rental adjustments. Renewals are at the options of the specific entity that holds the lease but the leases have no purchase options.

Future minimum lease payments for all leases with initial or remaining terms of one year or more are as follows:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Within one year	5,311	3,542	484	462
After one year but not more than five years	9,911	5,921	1,933	1,761
More than five years	30,696	28,541	8,704	9,026
	45,918	38,004	11,121	11,249

(b) ***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	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Authorised and committed	3,531	48	–	–

28. COMMITMENTS AND CONTINGENCIES (CONT'D)

(c) ***Contingent liabilities***

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Corporate guarantees issued by the Company for bank facilities granted to subsidiaries	–	–	53,830	7,189
Guarantees issued to external parties	1,517	382	112	382

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

Guarantees to external parties comprise guarantees issued in lieu of security deposits required by suppliers and non-financial guarantees to its business associates which commit the group to make payments on behalf of these entities upon failure to perform under the terms of the relevant contracts.

(d) ***Other commitments***

Financial support

The Company has provided letters of financial support to certain subsidiaries that it will not demand repayment of the amounts owing by such subsidiaries unless such repayment will not jeopardise the ability of these subsidiaries to meet their obligations as and when they fall due. The total amount owing from these subsidiaries is $67,965,000 (2012: $50,499,000).

29. INFORMATION BY SEGMENT ON THE GROUP'S OPERATIONS

(a) ***Operating segments***

For management purposes, 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 subsidiaries. It also derives dividend and rental income from its subsidiaries 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 and sale of oilfield equipment and spare parts. This segment operates primarily out of Singapore and the Kingdom of Bahrain. The unit in Bahrain is still in the early stages of set up.

29. INFORMATION BY SEGMENT ON THE GROUP'S OPERATIONS (CONT'D)

(a) ***Operating segments (cont'd)***

(iii) *Engine systems*

Provides sales and servicing of turbochargers used in a wide range of vehicles and machinery, including trucks, earth moving equipment, agricultural machinery, marine vessels, generator sets and railway equipment. The segment also distributes and services fuel injection parts and automotive performance parts. This segment operates mainly in Australia.

(iv) *Neptune*

Provides engineering services to offshore oil and gas, marine and renewable energy industries by Neptune and its subsidiaries. This segment operates mainly in Australia, United Kingdom and Singapore.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer pricing between business segments are on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

29. INFORMATION BY SEGMENT ON THE GROUP'S OPERATIONS (CONT'D)

	Investment holding $'000	Engine systems $'000	Oilfield engineering $'000	Neptune $'000	Others $'000	Eliminations $'000	Note	Per consolidated financial statements $'000
2013								
Revenue:								
External sales	(104)	55,231	94,694	58,925	–	–		208,746
Inter-segment sales	6,964	–	2,290	–	–	(9,254)		–
Total sales	6,860	55,231	96,984	58,925	–	(9,254)	A	208,746
Results:								
Interest income	4	45	–	–	–	–		49
Depreciation and amortisation	(399)	(1,528)	(4,117)	(1,151)	–	–		(7,195)
Inventories written-down	–	(163)	(210)	–	–	–		(373)
Write-back of/(Allowance for) impairment of trade receivables	–	26	32	(321)	–	–		(263)
Bad debts recovered/ (written-off), net	–	6	–	(37)	–	–		(31)
Finance costs	(5)	(302)	(702)	(537)	–	–		(1,546)
Segment profit/(loss) before tax	24,562	3,526	26,692	5,595	(18)	(33,360)	B	26,997
Taxation	(157)	(989)	(2,799)	(58)	–	–		(4,003)
Assets and liabilities:								
Additions to non-current assets	214	716	1,885	1,337	–	–		4,152
Acquisition of non-current assets through business combination	–	–	–	48,610	–	–		48,610
Segment assets	17,409	33,225	95,620	116,739	2	–		262,995
Deferred tax assets								5,066
								268,061
Segment liabilities	(3,604)	(8,804)	(13,970)	(28,790)	(8)	–		(55,176)
Provision for taxation								(4,980)
Deferred tax liabilities								(2,552)
Bank borrowings and finance lease liabilities								(73,575)
								(136,283)

29. INFORMATION BY SEGMENT ON THE GROUP'S OPERATIONS (CONT'D)

	Investment holding	Engine systems	Oilfield engineering	Others	Eliminations	Note	Per consolidated financial statements
	$'000	$'000	$'000	$'000	$'000		$'000
2012							
Revenue:							
External sales	(358)	54,639	74,114	–	–		128,395
Inter-segment sales	6,110	–	4,253	–	(10,363)		–
Total sales	5,752	54,639	78,367	–	(10,363)	A	128,395
Results:							
Interest income	24	108	10	–	–		142
Depreciation and amortisation	(427)	(1,511)	(4,275)	–	–		(6,213)
Inventories written down	–	(407)	(3)	–	–		(410)
Allowance for impairment of trade receivables	–	(25)	(677)	–	–		(702)
Bad debts (written off)/recovered, net	–	(34)	48	–	–		14
Finance costs	(197)	(442)	(460)	–	–		(1,099)
Segment profit/(loss) before tax	25,760	1,422	14,569	(16)	(27,837)	B	13,898
Taxation	3,656	(465)	(2,482)	–	–		709
Assets and liabilities:							
Additions to non-current assets	179	1,711	5,439	–	–		7,329
Acquisition of non-current assets through business combination	7,421	–	1 820	–	–		9,241
Segment assets	33,958	34,306	94,151	37	–		162,452
Deferred tax assets							1,566
							164,018
Segment liabilities	(3,041)	(9,422)	(13,468)	(30)	–		(25,961)
Provision for taxation							(3,893)
Deferred tax liabilities							(1,406)
Bank borrowings and finance lease liabilities							(45,925)
Loan from a non-controlling shareholder of a subsidiary							(701)
							(77,886)

29. INFORMATION BY SEGMENT ON THE GROUP'S OPERATIONS (CONT'D)

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

Note A: Inter-segment revenues are eliminated on consolidation.

Note B: The following items are added to/(deducted from) segment profit to arrive at "Profit before tax" presented in the consolidated income statement:

	Group	
	2013 $'000	2012 $'000
Write-back of allowance for impairment of intersegment receivables	–	(1,234)
Reversal of gain on liquidation of subsidiary	–	(881)
Unallocated corporate (income)/expense	(23)	4
Allowance for impairment of intersegment receivables	389	–
Intersegment dividend income	(33,726)	(25,726)
	(33,360)	(27,837)

(b) ***Geographical segments***

	Singapore $'000	Australia $'000	Bahrain $'000	United Kingdom $'000	Others $'000	Total $'000
2013						
External sales	95,373	101,491	4,839	7,043	–	208,746
Non-current assets	26,822	51,540	22,749	8,135	23	109,269
2012						
External sales	72,658	54,639	1,098	–	–	128,395
Non-current assets	26,083	13,390	24,219	–	–	63,692

Non-current assets information presented above consist of goodwill, intangible assets, property, plant and equipment, receivables and prepayments as presented in the consolidated balance sheet.

The Group's non-current assets and sales to external customers disclosed in geographical segments are based on the entities' country of domicile.

(c) ***Information about major customers***

For the financial year ended 31 March 2013, there was no single external customer who contributed to 10% or more at the Group's total revenue. For the financial year ended 31 March 2012, revenue from one major customer amounted to $13,795,000, which arose from sales by the Oilfield Engineering segment.

30. SUBSIDIARIES

The subsidiaries as at 31 March are:

	Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Effective interest in equity held by the Group	
			2013 $'000	2012 $'000	2013 %	2012 %
	Unquoted equity shares held by the Company					
i	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
i	MTQ Equipment Rental Pte Ltd (Republic of Singapore)	Providing oilfield equipment rental services (Republic of Singapore)	5,678	5,678	100	100
i	MTQ Fabrication Pte Ltd (Republic of Singapore)	Providing oilfield fabrication services (Republic of Singapore)	37	37	100	100
i	Blossomvale Investments Pte Ltd (Republic of Singapore)	Investment holding (Republic of Singapore)	– ♦	– ♦	100	100
i	Violetbloom Investments Pte Ltd (Republic of Singapore)	Investment holding (Republic of Singapore)	– ♦	– ♦	100	100
i	Everfield Pte Ltd (Republic of Singapore)	Investment holding (Republic of Singapore)	– ♦	– ♦	100	100
iv	MTQ Subsea Technology Pte Ltd (Republic of Singapore)	Inactive (Republic of Singapore)	–	4,679	–	77.5
ii	MTQ Engine Systems (Aust) Pty Ltd (Australia)	Sales and servicing of turbochargers and fuel injection parts and automotive performance parts (Australia)	5,295	5,295	100	100
ii	MTQ Holdings Pty Ltd (Australia)	Investment holding (Australia)	3,556	3,556	100	100
ii	MTQ Oilfield Services W.L.L. (Kingdom of Bahrain)	Service, manufacture and assemble oilfield equipment and related spare parts in the oil and gas industry (Kingdom of Bahrain)	4,796	4,796	99	99

30. SUBSIDIARIES (CONT'D)

	Name of company (Country of incorporation)	Principal activities (Place of business)	Cost 2013 $'000	Cost 2012 $'000	Effective interest in equity held by the Group 2013 %	Effective interest in equity held by the Group 2012 %
	Unquoted equity shares held by the Company					
ii	MTQ Castings Sdn Bhd (previously known as Metalock Castings Sdn Bhd) (Malaysia)	Inactive (Malaysia)	5,858	5,858	100	100
ii	Premier Sea & Land Limited (Hong Kong)	Investment holding (Hong Kong)	–	27,279	100	100
i	Premier Sea & Land Pte Ltd (Republic of Singapore)	Trading of oilfield industry materials and supplies machinery and equipment and rental of machinery and equipment (Republic of Singapore)	16,491	–	100	100
i	Pemac Pte Ltd (Republic of Singapore)	Manufacture of high pressure piping, general steel fabrication works repairing of oilfield equipment and fabrication of pressure vessels (Republic of Singapore)	5,476	–	100	100
			48,499	58,490		

	Name of company (Country of incorporation)	Principal activities (Place of business)	Effective interest in equity held by the Group 2013 %	Effective interest in equity held by the Group 2012 %
	Quoted equity shares held by a subsidiary			
ii, v	Neptune Marine Services Limited (Australia)	Investment holding (Australia)	85.27	17.44
	Unquoted equity shares held by the subsidiaries			
iii, #	Dynamic Turbocharger Services (Australia) Pty Ltd (Australia)	Inactive (Australia)	100	100
ii	MTQ Oilfield Services W.L.L. (Kingdom of Bahrain)	Service, manufacture and assemble oilfield equipment and related spare parts in the oil and gas industry (Kingdom of Bahrain)	1	1
i	Premier Sea & Land Pte Ltd (Republic of Singapore)	Trading of oilfield industry materials and supplies machinery and equipment and rental of machinery and equipment (Republic of Singapore)	–	100

30. SUBSIDIARIES (CONT'D)

	Name of company (Country of incorporation)	Principal activities (Place of business)	Effective interest in equity held by the Group 2013 %	2012 %
	Unquoted equity shares held by the subsidiaries (cont'd)			
i	Pemac Pte Ltd (Republic of Singapore)	Manufacture of high pressure piping, general steel fabrication works, repairing of oilfield equipment and fabrication of pressure vessels (Republic of Singapore)	–	100
i	Premier Estate Pte Ltd (Republic of Singapore)	Investment holding (Republic of Singapore)	100	100
ii, v	Neptune Marine Services International Pty Ltd (Australia)	Investment holding (Australia)	85.27	17.44
ii, v	Neptune Asset Integrity Services Pty Ltd (Australia)	Providing inspection, repair and maintenance services to the oil and gas, mining, chemical, petrochemical and maritime industries (Australia)	85.27	17.44
ii, v	Neptune Diving Services Pty Ltd (Australia)	Providing commercial diving and inspection, repair and maintenance services to the oil and gas, shipping, defence and marine infrastructure industries (Australia)	85.27	17.44
ii, v	Neptune Fabrication Services Pty Ltd (Australia)	Inactive (Australia)	85.27	17.44
ii, v	Neptune Subsea Engineering Pty Ltd (Australia)	Providing a range of specialist subsea engineering services internationally to the oil and gas sector (Australia)	85.27	17.44
ii, v	Neptune Geomatics Pty Ltd (Australia)	Providing a range of specialist subsea engineering services internationally to the oil and gas sector (Australia)	85.27	17.44
ii, v	Neptune Subsea Stabilisation Pty Ltd (Australia)	Design, manufacture, supply and install a range of pipeline stabilisation and protection systems (Australia)	85.27	17.44
ii, v	Allied Diving Services Pty Ltd (Australia)	Inactive (Australia)	85.27	17.44
ii, v	Neptune Delaware Holdings Inc (United States of America)	Investment holding (United States of America)	85.27	17.44
ii, v	Neptune Underwater Services (USA) LLC (United States of America)	Inactive (United States of America)	85.27	17.44
i, v	Neptune Asia Holdings Pte Ltd (Republic of Singapore)	Investment holding (Republic of Singapore)	85.27	17.44

30. SUBSIDIARIES (CONT'D)

	Name of company (Country of incorporation)	Principal activities (Place of business)	Effective interest in equity held by the Group 2013 %	2012 %
	Unquoted equity shares held by the subsidiaries (cont'd)			
i, v	Neptune Marine Pacific Pte Ltd (Republic of Singapore)	Providing a range of services including ROV services, survey and NEPSYS® (dry underwater welding) (Republic of Singapore)	85.27	17.44
i, v	Neptune Access IRM Pte Ltd (Republic of Singapore)	Inactive (Republic of Singapore)	85.27	17.44
i, v	Neptune Marine Offshore Pte Ltd (Republic of Singapore)	Inactive (Republic of Singapore)	85.27	17.44
i, v	Neptune Subsea Stabilisation Pte Ltd (Republic of Singapore)	Design, manufacture, supply and install a range of pipeline stabilisation and protection systems (Republic of Singapore)	85.27	17.44
ii, v	PT Neptune Subsea Stabilisation (Indonesia)	Design, manufacture, supply and install a range of pipeline stabilisation and protection systems (Indonesia)	85.27	17.44
ii, v	Submersible Technology Services Middle East S.P.C. (Kingdom of Bahrain)	Specialise in the provision of quality remotely operated vehicle (ROV) services and tooling solutions for both shallow and deepwater applications (Kingdom of Bahrain)	85.27	17.44
ii, v	Neptune Scotland Holdings Ltd (United Kingdom)	Investment holding (United Kingdom)	85.27	17.44
ii, v	Neptune Offshore Services Ltd (United Kingdom)	Providing a range of manufacturing solutions encompassing the design, manufacture, machining, assembly and testing of a wide range of equipment (United Kingdom)	85.27	17.44
ii, v	Neptune Subsea Engineering Ltd (United Kingdom)	Providing a range of specialist subsea engineering services internationally to the oil and gas sector (United Kingdom)	85.27	17.44
ii, v	Neptune ROV Services Holdings Ltd (United Kingdom)	Investment holding (United Kingdom)	85.27	17.44
iii, v, #	Neptune Deeptech Symons Ltd (United Kingdom)	Inactive (United Kingdom)	85.27	17.44
ii, v	Neptune ROV Services Ltd (United Kingdom)	Specialise in the provision of quality remotely operated vehicle (ROV) services and tooling solutions for both shallow and deepwater applications (United Kingdom)	85.27	17.44

30. SUBSIDIARIES (CONT'D)

	Name of company (Country of incorporation)	Principal activities (Place of business)	Effective interest in equity held by the Group 2013 %	2012 %
	Unquoted equity shares held by the subsidiaries (cont'd)			
ii, v	Neptune Subsea Services Sdn Bhd (Malaysia)	Specialise in the provision of quality remotely operated vehicle (ROV) services and tooling solutions for both shallow and deepwater applications (Malaysia)	85.27	17.44
i, v	Neptune ROV Services Pte Ltd (Republic of Singapore)	Inactive (Republic of Singapore)	85.27	17.44
ii, v	Submersible Technology Services Sdn Bhd (Malaysia)	Inactive (Malaysia)	85.27	17.44
ii, v	Neptune Marine Subsea Services Sdn Bhd (Brunei)	Design, manufacture, supply and install a range of pipeline stabilisation and protection systems (Brunei)	85.27	17.44

i Audited by Ernst & Young LLP, Singapore
ii Audited by member firms of Ernst & Young Global in the respective countries
iii Not required to be audited under the law in its country of incorporation
iv The entity has been liquidated on 13 December 2012
v As at 31 March 2012, the investment in Neptune was classified as an available-for-sale financial asset and the Group held 17.44% equity interest in Neptune
♦ The cost of investments in each of these subsidiaries is less than $1,000
Not material to the Group and not required to be disclosed under SGX Listing Rule 717

31. EMPLOYEE BENEFITS

Employee share option plans

MTQ Corporation Executives' Share Option Scheme 2003

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 subsidiaries. The Scheme, upon approval 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"). The Scheme expired on 13 April 2013.

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)
Nicholas Campbell Cocks
Ong Choo Eng

31. EMPLOYEE BENEFITS (CONT'D)

Employee share option plans (cont'd)

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.

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 a 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 subsidiaries 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
- subject to the conditions in the following paragraphs, Directors and employees of the Company and its subsidiaries 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 subsidiaries, 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.

31. EMPLOYEE BENEFITS (CONT'D)

Employee share option plans (cont'd)

(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 subsidiaries; 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 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.

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

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

	No. of options						
Date of grant	**1.4.2012 '000**	**Granted '000**	**Exercised '000**	**Cancelled '000**	**31.3.2013 '000**	**Expiry date**	**Exercise price per share**
31.7.2003	30	–	(30)	–	–	30.7.2013	$0.43

	No. of options						
Date of grant	**1.4.2011 '000**	**Granted '000**	**Exercised '000**	**Cancelled '000**	**31.3.2012 '000**	**Expiry date**	**Exercise price per share**
31.7.2003	30	–	–	–	30	30.7.2013	$0.43

31. EMPLOYEE BENEFITS (CONT'D)

Employee share option plans (cont'd)

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

Neptune's incentive option scheme

Neptune operates an ownership-based incentive scheme known as the Neptune Marine Services Limited Incentive Option Scheme ("Neptune Scheme"), which was approved by Neptune's shareholders at a general meeting held on 25 November 2005.

The Neptune Scheme provides for employees, Executive Directors of Neptune and others involved in the management of Neptune to be offered options for no consideration. Each option is convertible to one ordinary share of Neptune. The directors of Neptune may determine the exercise price of the options in its absolute discretion. Subject to the Australian Securities Exchange ("ASX") Listing Rules, the exercise price may be nil but to the extent the ASX Listing Rules specify or require a minimum price, the exercise price in respect of an offer made must not be less than any minimum price specified in the ASX Listing Rules. Options issued under the Neptune Scheme that have not lapsed may be exercised at any time up to the date which is 5 years after the date of the grant of the options, or such other expiry date as the directors of Neptune determine in its discretion at the time of grant. There are no voting or dividend rights attached to the options.

Options may not be offered under the Neptune Scheme if the total number of shares of Neptune which would be issued where each option is accepted, together with the number of shares in the same class or options to acquire such shares issued pursuant to all employee or executive share schemes during the previous five years, exceeds 5% of the total number of issued shares in that class as at the date of the offer.

Employees are entitled to the options if they remain employed with Neptune over the service period which is determined at the date of grant on an individual basis.

All options granted to key management personnel confer a right of one ordinary share in Neptune for every option held.

The number and weighted average exercise price of the options granted under the Neptune Scheme is as follows:

	Number of options	Weighted average exercise price A$
Outstanding as at date of acquisition and at 31 March 2013	5,306,347	0.64
Exercisable at 31 March 2013	5,171,350	0.64

No options were granted or exercised from the date of acquisition of Neptune till the reporting date. The options outstanding at 31 March 2013 had a weighted average remaining contractual life of 1.20 years, and exercise prices ranging from A$0.01 to A$1.23.

31. EMPLOYEE BENEFITS (CONT'D)

Neptune's long term incentives plan ("LTI")

LTI rights were approved by Neptune's shareholders at the AGM held on 30th November 2011. These rights are granted based on a percentage of base salary, ranging between 25% to 100%. Relevant employees of Neptune will receive a grant every year as part of their total annual remuneration and the rights will vest into fully paid ordinary shares of Neptune on fourth anniversary of their grant date, subject to meeting performance hurdles. Each grant of LTI rights will be split into two equal tranches, with each tranche having an independent performance hurdle.

From the date of acquisition of Neptune till the reporting date, no additional rights had been granted. At 31 March 2013, 22,083,353 rights remained outstanding.

The LTIs have contractual lives of four years with no cash settlement alternatives. LTI rights granted to two key management personnel were subject to accelerated vesting due to change of control during the period. All issued rights are now fully vested as a result of the acquisition by the Company.

Neptune's retention performance rights ("RPR")

The RPR was approved by Neptune's shareholders at the AGM held on 30 November 2011.

RPRs granted to the employees have contractual lives of five years and will vest annually in equal tranches over four years. Any unvested RPR will lapse if the holder resigns during this four-year period.

From the acquisition date till the reporting date, no RPR have been granted. At 31 March 2013, 14,488,147 rights remained outstanding.

Expenses relating to share-based payments

Included within staff costs in the profit or loss, the expenses recognised relating to the share-based payment transactions are as follows:

	2013 $'000	2012 $'000
Neptune's incentive option scheme	1	–
LTI	57	–
RPR	42	–
	100	–

32. RELATED PARTY DISCLOSURE

(a) ***Sale and purchase of goods and services***

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

	2013 $'000	2012 $'000
Company		
Subsidiaries		
- Dividend income	19,355	25,634
- Consultancy and management fee income	3,086	2,723
- Rental income from investment properties	2,817	2,591
- Interest on loans	425	409

(b) ***Compensation of key management personnel***

Key management personnel are defined as persons who have authority and responsibility for planning, directing and controlling the activities of the Group.

Details of their remuneration have been disclosed in Note 5(a).

No options have been granted to the Directors of the Company and the key management personnel during the financial year.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The Group's principal financial instruments other than quoted securities comprise bank borrowings, finance leases and cash and cash equivalents. All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors ("Board") resolutions, with banking mandates which define the permitted financial instruments and facilities limits, approved by the Board. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The key financial risks faced by the Group include credit risk, foreign currency risk, liquidity risk, interest rate risk and market price risk. The Board reviews and agrees policies and procedures for the management of these risks, which are executed by the key management personnel of the Group. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting, other than the hedge of net investment in foreign operations as disclosed in Note 35.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including quoted investment securities and cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products and services are made to customers with appropriate credit history and has internal mechanisms to monitor the granting of credit and management of credit exposures. The Group has made allowances, where necessary, for potential losses on credits extended.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets

- corporate guarantees provided by the Company for bank facilities granted to subsidiaries as at the end of the reporting period is $53,830,000 (2012: $7,189,000) (Note 28(c)).

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2013		2012	
	$'000	% of total	$'000	% of total
By country				
Singapore	16,525	22	9,345	35
Australia	41,383	54	8,336	31
Indonesia	2,837	4	1,645	6
Malaysia	3,034	4	2,276	8
Brunei	25	–*	1,378	5
Thailand	470	1	673	3
India	177	–*	550	2
Vietnam	1,551	2	548	2
United States	12	–*	24	–*
Bahrain	2,461	3	–	–
United Kingdom	4,057	5	–	–
Saudi Arabia	1,472	2	–	–
Others	1,996	3	2,072	8
	76,000	100	26,847	100

* less than 1%.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) ***Credit risk (cont'd)***

	Group			
	2013		2012	
	$'000	% of total	$'000	% of total
By industry sectors				
Oil and gas	70,762	93	20,267	76
Automotive	4,641	6	5,288	20
Marine and shipping	180	–*	603	2
Mining	417	1	388	1
Others	–	–	301	1
	76,000	100	26,847	100

* less than 1%.

At the end of the reporting period, approximately 38% (2012: 86%) of the Group's trade receivables were due from five major customers who are leading providers of products and services to the global upstream oil and gas industry.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents and quoted investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 (Trade and other receivables).

(b) ***Foreign currency risk***

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD and Australian dollar (AUD). The foreign currencies in which these transactions are denominated are mainly United States dollars (USD), British Pounds (GBP), AUD and SGD. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures. As at 31 March 2013, approximately 23% (2012: 19%) of the Group's trade and other receivables and 20% (2012: 5%) of the Group's trade and other payables are denominated in foreign currencies.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. The currency mix of the cash and cash equivalents of the Group and Company as at the end of the reporting period are set out in Note 18.

The Group enters into foreign exchange forward contracts and holds foreign currencies where appropriate, to hedge against its foreign exchange risk in anticipated purchase or sale transactions denominated in foreign currencies. The Group treasury policy prescribes only "plain vanilla" treasury hedging instruments, namely foreign exchange spot and forward contracts ("the Permitted Transactions"). These instruments are generic in nature with no embedded or leverage features and any deviation from these instruments would require specific approval from the Board. Any complex foreign exchange or derivatives transactions involving any combination of the Permitted Transactions or any combination of the Permitted Transactions and other derivatives transactions are prohibited.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

It is the Group's policy not to engage in foreign exchange and/or derivatives speculation or trading nor any of the treasury transactions for profit purpose. It is not in the interest of the Group to engage in trading for profit or to speculate or trade in treasury instruments. The purpose of engaging in treasury transactions is solely for hedging. The Group has not engaged in foreign exchange hedging during the financial years ended 31 March 2012 and 31 March 2013, other than the hedge of net investment in foreign operations as disclosed in Note 35.

In addition to transactional exposure, the Group is also exposed to foreign currency exchange movements in its net investment in foreign operations. The Group does not have any formal policy with respect to such foreign currency exposure as its investments are long term in nature, and management of such foreign currency exposure is considered on a case-by-case basis.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax and equity to a reasonably possible change in the USD, GBP, AUD and SGD exchange rates (against the respective functional currencies of the Group entities), with all other variables held constant:

	Group			
	2013		2012	
	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
	$'000	$'000	$'000	$'000
USD				
- strengthened 3% (2012: 3%)	(316)	308	(664)	(152)
- weakened 3% (2012: 3%)	316	(308)	664	152
AUD				
- strengthened 3% (2012: 3%)	31	(1,117)	28	422
- weakened 3% (2012: 3%)	(31)	1,117	(28)	(422)
SGD				
- strengthened 3% (2012: 3%)	(56)	–	(107)	–
- weakened 3% (2012: 3%)	56	–	107	–
GBP				
- strengthened 3% (2012: 3%)	–	839	–	–
- weakened 3% (2012: 3%)	–	(839)	–	–

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility by monitoring its net operating cash flow through the review of its working capital requirements regularly, and maintaining an adequate level of cash and cash equivalents and secured committed funding facilities from financial institutions.

Analysis of financial instruments by remaining contractual maturities

The tables below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period, based on contractual undiscounted repayment obligations:

	Total contractual cash flow $'000	1 year or less $'000	1 to 5 years $'000	More than 5 years $'000
Group				
2013				
Non-derivative financial liabilities				
Trade and other payables	(52,103)	(52,103)	–	–
Bank borrowings	(77,324)	(11,871)	(58,509)	(6,944)
Finance lease payable	(985)	(598)	(387)	–
Contractual undiscounted financial liabilities	(130,412)	(64,572)	(58,896)	(6,944)
2012				
Non-derivative financial liabilities				
Trade and other payables	(23,461)	(23,461)	–	–
Bank borrowings	(47,203)	(25,671)	(17,176)	(4,356)
Finance lease payable	(981)	(479)	(502)	–
Loans from a non-controlling shareholder of a subsidiary	(701)	(701)	–	–
Contractual undiscounted financial liabilities	(72,346)	(50,312)	(17,678)	(4,356)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) *Liquidity risk (cont'd)*

	Total contractual cash flow $'000	1 year or less $'000	1 to 5 years $'000	More than 5 years $'000
Company				
2013				
Non-derivative financial liabilities				
Trade and other payables	(9,157)	(2,937)	–	(6,220)
Bank borrowings	(20,353)	(3,822)	(9,587)	(6,944)
Contractual undiscounted financial liabilities	(29,510)	(6,759)	(9,587)	(13,164)
2012				
Non-derivative financial liabilities				
Trade and other payables	(6,885)	(2,007)	–	(4,878)
Bank borrowings	(39,362)	(21,278)	(13,728)	(4,356)
Contractual undiscounted financial liabilities	(46,247)	(23,285)	(13,728)	(9,234)

The table below shows the contractual expiry by maturity of the Group and Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	Total contractual cash flow $'000	1 year or less $'000
Group		
2013		
Issued financial guarantees to external parties	1,517	1,517
2012		
Issued financial guarantees to external parties	382	382
Company		
2013		
Issued guarantees for bank facilities utilised by subsidiaries	53,830	53,830
Issued financial guarantees to external parties	112	112
2012		
Issued guarantees for bank facilities utilised by subsidiaries	7,189	7,189
Issued financial guarantees to external parties	382	382

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its cash and bank balances placed with reputable banks as well as bank borrowings. Bank borrowings are contracted with the objectives of minimising interest burden by carefully evaluating the relative benefits between fixed rate and variable rate whilst maintaining an acceptable debt maturity profile.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the interest rates, with all other variables held constant:

	Effect on Group's profit before tax	
	2013	**2012**
	$'000	**$'000**
50 basis points increase (2012: 50 basis points increase)	(363)	(225)
50 basis points decrease (2012: 50 basis points decrease)	363	225

Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's cash and cash equivalents, trade and other receivables, trade and other payables, bank borrowings and finance lease payable where applicable. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(e) ***Market price risk***

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity securities. These instruments are quoted on the SGX-ST in Singapore and ASX in Australia and are classified as held for trading or available-for-sale financial assets.

As at the end of the reporting period, the Group and the Company have quoted securities as follows:

	Group	
	2013	**2012**
	$'000	**$'000**
Held for trading financial assets at fair value	784	889
Available-for-sale financial assets at fair value	–	18,048

The Group does not have significant exposure to commodity price risk.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the price of the investment securities had been higher/lower by 10% with all other variables held constant, the Group's profit before tax would have been higher/lower by $78,000 (2012: $89,000), arising as a result of higher/lower fair value gains on held for trading investment in equity instrument, and the Group's fair value adjustment reserve equity would have been higher/lower by $1,805,000 for the financial year ended 31 March 2012, arising as a result of increase/decrease in the fair value of equity instruments classified as available-for-sale financial assets.

34. FINANCIAL INSTRUMENTS

Classification of financial instruments

	Note	Loans and receivables $'000	Financial assets at fair value through profit or loss $'000	Financial liabilities at amortised cost $'000	Total $'000
Group					
2013					
Assets					
Investment securities	14	–	784	–	784
Receivables	15	1,590	–	–	1,590
Trade and other receivables	17	76,857	–	–	76,857
Cash and cash equivalents	18	40,911	–	–	40,911
Total financial assets		119,358	784	–	120,142
Total non-financial assets					147,919
Total assets					268,061
Liabilities					
Trade and other payables	19	–	–	(52,103)	(52,103)
Finance lease payable	20	–	–	(916)	(916)
Bank borrowings	21	–	–	(72,659)	(72,659)
Total financial liabilities		–	–	(125,678)	(125,678)
Total non-financial liabilities					(10,605)
Total liabilities					(136,283)

34. FINANCIAL INSTRUMENTS (CONT'D)

Classification of financial instruments (cont'd)

	Note	Loans and receivables $'000	Financial assets at fair value through profit or loss $'000	Available-for-sale financial assets $'000	Financial liabilities at amortised cost $'000	Total $'000
Group						
2012						
Assets						
Investment securities	14	–	889	18,048	–	18,937
Receivables	15	97	–	–	–	97
Trade and other receivables	17	27,244	–	–	–	27,244
Cash and cash equivalents	18	27,314	–	–	–	27,314
Total financial assets		54,655	889	18,048	–	73,592
Total non-financial assets						90,426
Total assets						164,018
Liabilities						
Trade and other payables	19	–	–	–	(23,461)	(23,461)
Finance lease payable	20	–	–	–	(909)	(909)
Bank borrowings	21	–	–	–	(45,016)	(45,016)
Loan from a non-controlling shareholder of a subsidiary	22	–	–	–	(701)	(701)
Total financial liabilities		–	–	–	(70,087)	(70,087)
Total non-financial liabilities						(7,799)
Total liabilities						(77,886)

34. FINANCIAL INSTRUMENTS (CONT'D)

Classification of financial instruments (cont'd)

	Note	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Total $'000
Company				
2013				
Assets				
Receivables	15	60,406	–	60,406
Trade and other receivables	17	9,594	–	9,594
Cash and cash equivalents	18	6,809	–	6,809
Total financial assets		76,809	–	76,809
Total non-financial assets				49,406
Total assets				126,215
Liabilities				
Trade and other payables	19	–	(9,157)	(9,157)
Bank borrowings	21	–	(18,829)	(18,829)
Total financial liabilities		–	(27,986)	(27,986)
Total non-financial liabilities				(482)
Total liabilities				(28,468)
2012				
Assets				
Receivables	15	42,873	–	42,873
Trade and other receivables	17	16,949	–	16,949
Cash and cash equivalents	20	5,886	–	5,886
Total financial assets		65,708	–	65,708
Total non-financial assets				54,800
Total assets				120,508
Liabilities				
Trade and other payables	19	–	(6,885)	(6,885)
Bank borrowings	21	–	(37,827)	(37,827)
Total financial liabilities		–	(44,712)	(44,712)
Total non-financial liabilities				(463)
Total liabilities				(45,175)

34. FINANCIAL INSTRUMENTS (CONT'D)

Fair values of financial instruments

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.

(a) ***Financial instruments carried at fair value***

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Note	Quoted prices in active markets for identical instruments (Level 1) $'000	Total $'000
Group			
31 March 2013			
Financial assets			
Held for trading financial assets:			
- Equity securities (quoted)	14	784	784
31 March 2012			
Financial assets			
Held for trading financial assets:			
- Equity securities (quoted)	14	889	889
Available-for-sale financial assets:			
- Equity securities (quoted)	14	18,048	18,048
		18,937	18,937

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There have been no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 31 March 2013 and 2012.

Determination of fair value

Quoted equity securities (Note 14): Fair value is determined by direct reference to their published market bid price at the end of the reporting period.

34. FINANCIAL INSTRUMENTS (CONT'D)

Fair values of financial instruments (cont'd)

(b) ***Financial instruments that are not carried at fair value and whose carrying amount approximates fair value***

Management has determined that the carrying amount of cash and cash equivalents (Note 18), trade and other receivables (Notes 15 and 17), trade and other payables (Note 19) finance lease payable (Note 20), bank borrowings (Note 21) and loans from a non-controlling shareholder of a subsidiary (Note 22) based on their notional amounts, reasonably approximate their fair values either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

(c) ***Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value***

The fair value of non-current amounts due from/(to) subsidiaries (Notes 15 and 19) are not determinable as the timing of the future cash flows arising from the repayment cannot be estimated reliably.

35. HEDGE ACCOUNTING

Hedge of net investments in foreign operations

Included in loans at 31 March 2013 was a borrowing of AUD28,739,000, which has been designated as a hedge of the net investment in the Neptune Group and is being used to hedge the Group's exposure to foreign exchange risk on the investment. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness in the year ended 31 March 2013.

Included in loans at 31 March 2012 was a borrowing of USD13,510,000, which had been designated as a hedge of the net investment in the Premier Sea and Land Pte Ltd and was being used to hedge the Group's exposure to foreign exchange risk on the investment. Gains or losses on the retranslation of this borrowing were transferred to equity to offset any gains or losses on translation of the net investments in the subsidiary. There was no ineffectiveness in the year ended 31 March 2012. The loan was repaid on 9 April 2012.

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains an appropriate capital structure in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 31 March 2013 and 31 March 2012.

36. CAPITAL MANAGEMENT (CONT'D)

The Group monitors capital using a gearing ratio, which is net debt divided by net capitalisation. The Group includes within its net debt, bank borrowings and finance lease payable, less cash and cash equivalents. Net capitalisation refers to net debt plus shareholders' funds and non-controlling interests.

		Group	
	Note	2013 $'000	2012 $'000
Bank borrowings	21	72,659	45,016
Finance lease payable	20	916	909
Less: Cash and cash equivalents	18	(40,911)	(27,314)
Net debt		32,664	18,611
Shareholders' funds		118,630	86,692
Add: Non-controlling interests		13,148	(560)
Net capitalisation		164,442	104,743
Net debt gearing ratio		20%	18%

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 March 2013 and 31 March 2012.

37. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 March 2013 were authorised for issue in accordance with a resolution of the Directors on 13 June 2013.

SHAREHOLDERS' INFORMATION

AS AT 11 JUNE 2013

Issued and Fully Paid-Up Capital	:	S$ 31,911,677.95
Number of Issued Shares	:	100,167,851
Class of Shares	:	Ordinary Share
Voting Rights	:	One Vote Per Share

The Company does not have any Treasury Share as at 11 June 2013.

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 999	38	3.79	11,508	0.01
1,000 - 10,000	631	63.04	2,917,348	2.91
10,001 - 1,000,000	321	32.07	25,389,696	25.35
1,000,001 and above	11	1.10	71,849,299	71.73
	1,001	100.00	100,167,851	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 11 JUNE 2013

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	No of shares	%	No of shares	%
Kuah Kok Kim	24,183,681	24.14	–	–
Maclean Investments Limited	17,887,652[1]	17.86	–	–
Tai Tak Securities Pte Ltd	7,900,000	7.89	–	–
Singapore Warehouse Company (Private) Ltd.	5,500,000	5.49	–	–
OCBC Trustee Limited	–	–	17,887,652[2]	17.86
Kurt Robert Malkolm Lindblad	–	–	17,887,652[2]	17.86
Tai Tak Estates Sdn Bhd	–	–	7,900,000[3]	7.89
SG Investments Pte Ltd	–	–	7,900,000[4]	7.89
Ho Han Leong Calvin	–	–	7,900,000[5]	7.89
Hwa Hong Corporation Limited	–	–	5,500,000[6]	5.49

1 Maclean Investments Limited ("Maclean") through its custodian, Bank of Singapore Nominees Pte Ltd, holds 17,887,652 shares in the Company.

2 OCBC Trustee Limited ("OTL") is the trustee of a trust known as The Limpa Trust ("the Trust") constituted by the Settlor, Mr. Kurt Robert Malkolm Lindblad. Maclean is the investment holding vehicle of the Trust and is 100% owned by OTL in its capacity as trustee of the Trust. OTL is deemed to be interested in the shares held by Maclean. Under the terms of the Trust, Mr. Kurt Robert Malkolm Lindblad is deemed to be interested in the shares that are held by Maclean.

3 Tai Tak Estates Sdn Bhd is the sole shareholder of Tai Tak Securities Pte Ltd and is therefore deemed to be interested in shares held by Tai Tak Securities Pte Ltd.

4 SG Investments Pte Ltd is a shareholder of Tai Tak Estates Sdn Bhd and is therefore deemed to be interested in the shares held by Tai Tak Securities Pte Ltd which is wholly owned by Tai Tak Estates Sdn Bhd.

5 Mr. Ho Han Leong Calvin is deemed to be interested in the shares held by Tai Tak Securities Pte Ltd, as he is a shareholder of SG Investments Pte Ltd and Tai Tak Estates Sdn Bhd.

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

Note:
The above percentage is calculated based on the Company's issued share capital of 100,167,851 shares.

SHAREHOLDERS' INFORMATION (CONT'D)

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	KUAH KOK KIM	24,183,681	24.14
2	BANK OF SINGAPORE NOMINEES PTE LTD	17,980,497	17.95
3	TAI TAK SECURITIES PTE LTD	8,295,906	8.28
4	SINGAPORE WAREHOUSE COMPANY (PRIVATE) LTD.	5,500,000	5.49
5	CITIBANK NOMINEES SINGAPORE PTE LTD	5,306,400	5.30
6	DBS NOMINEES PTE LTD	3,018,536	3.01
7	KUAH BOON WEE	2,738,403	2.73
8	UOB KAY HIAN PTE LTD	1,749,398	1.75
9	HSBC (SINGAPORE) NOMINEES PTE LTD	1,054,000	1.05
10	PETER LOCK HONG CHEONG	1,020,287	1.02
11	TAN BOON KHAI	1,002,191	1.00
12	TAN KIM SENG	1,000,000	1.00
13	KEPPEL INVESTMENT LTD	937,701	0.94
14	UNITED OVERSEAS BANK NOMINEES PTE LTD	877,201	0.87
15	TAN KAH BOH ROBERT	700,000	0.70
16	PHILLIP SECURITIES PTE LTD	637,602	0.64
17	DB NOMINEES (S) PTE LTD	589,384	0.59
18	CHAN WING TO	570,003	0.57
19	OCBC SECURITIES PRIVATE LTD	543,222	0.54
20	TH INVESTMENTS PTE LTD	538,000	0.54
	TOTAL	**78,242,412**	**78.11**

PUBLIC FLOAT

As at 11 June 2013, approximately 41.39% 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 which requires that at least 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **MTQ Corporation Limited** ("the **Company**") will be held at Carlton Hotel, Empress Ballroom 3, Level 2, 76 Bras Basah Road, Singapore 189558 on Friday, 26 July 2013 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 March 2013 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of S$0.02 (one-tier, tax-exempt) per ordinary share for the financial year ended 31 March 2013. (2012: S$0.02 per ordinary share one-tier, tax-exempt).
   [See Explanatory Note (i)] **(Resolution 2)**

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

Mr. Kuah Boon Wee	(Retiring under Article 91)	**(Resolution 3)**
Mr. Christopher Ho Han Siong	(Retiring under Article 91)	**(Resolution 4)**

   Mr. Christopher Ho Han Siong will, upon re-election as a Director of the Company, remain as a member of the Audit Committee. Mr. Christopher Ho Han Siong will be considered as an Independent Director.

4. To re-appoint Ernst & Young LLP 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$300,000 (2013: S$270,000) for the financial year ending 31 March 2014, to be paid quarterly in arrears. [See Explanatory Note (ii)] **(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**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus 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 of the Company 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 Instruments made or granted by the Directors of the Company 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) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury 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 Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury 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 any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, 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 the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall 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 7)**

8. **Authority to issue shares under The MTQ Corporation Limited Scrip Dividend Scheme**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to issue such number of shares in the Company as may be required to be issued pursuant to The MTQ Corporation Limited Scrip Dividend Scheme from time to time set out in the Circular to Shareholders dated 10 June 2004 and that such authority shall, unless revoked or varied by the Company in a 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 (iv)] **(Resolution 8)**

By Order of the Board

Dominic Siu Man Kit
Tan San-Ju
Joint Company Secretaries

27 June 2013

Explanatory Notes:

(i) The Directors have announced on 6 May 2013 via SGXNet that the MTQ Corporation Limited Scrip Dividend Scheme, adopted by the Company on 2 July 2004, shall apply to the final dividend of S$0.02 (one-tier, tax-exempt) per ordinary share for the financial year ended 31 March 2013.

(ii) 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 2014 to Directors quarterly in arrears.

(iii) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to 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 total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iv) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, effective 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 or when varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company from time to time pursuant to the MTQ Corporation Limited Scrip Dividend Scheme to shareholders who, in respect of a qualifying dividend, have elected to receive shares in lieu of the cash amount of that qualifying dividend.

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)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

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

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 Ballroom 3, Level 2, 76 Bras Basah Road, Singapore 189558 on Friday, 26 July 2013 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 Financial Accounts for the year ended 31 March 2013		
2	Payment of proposed final dividend		
3	Re-election of Mr. Kuah Boon Wee as a Director		
4	Re-election of Mr. Christopher Ho Han Siong as a Director		
5	Re-appointment of Ernst & Young LLP as Auditors		
6	Approval of Directors' fees for FY2014 amounting to S$300,000		
7	Authority to issue new shares		
8	Authority to issue shares under The MTQ Corporation Limited Scrip Dividend Scheme		

Dated this _____ day of _____ 2013

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

_____

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

Fold along this line and glue overleaf

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified, the first named proxy shall be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 182 Pandan Loop, Singapore 128373 not less than 48 hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

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

Fold along this line and glue overleaf

Affix
postage
stamp

The Company Secretary

MTQ Corporation Limited

182 Pandan Loop

Singapore 128373

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MTQ CORPORATION LIMITED

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