

**MTQ CORPORATION LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration Number 196900057Z)

Unaudited First Quarter Financial Statements Announcement For The Period Ended 30 June 2005**1(a) STATEMENT OF PROFIT AND LOSS FOR THE FIRST QUARTER ENDED 30 JUNE 2005**

	Group		
	3 months to 30.06.05 S\$'000	3 months to 30.06.04 S\$'000	Change %
Revenue	13,694	14,831	-8%
Other income (Note A)	36	19	89%
	<u>13,730</u>	<u>14,850</u>	<u>-8%</u>
Cost of sales (Note B)	(9,115)	(10,489)	-13%
	<u>4,615</u>	<u>4,361</u>	<u>6%</u>
Staff costs	(2,553)	(2,478)	3%
Other operating expenses (Notes C)	(2,244)	(2,086)	8%
Loss from operating activities	<u>(182)</u>	<u>(203)</u>	<u>-10%</u>
Finance costs (Note D)	(347)	(327)	6%
Loss from operations before share of results of associated company	<u>(529)</u>	<u>(530)</u>	<u>0%</u>
Share of results of associated company	1,223	794	54%
Profit from operations before taxation	<u>694</u>	<u>264</u>	<u>163%</u>
Taxation (Note E)	(450)	(156)	188%
Net profit from operations	<u><u>244</u></u>	<u><u>108</u></u>	<u><u>126%</u></u>
Attributable to:			
Shareholders of the Company	330	135	144%
Minority interests	(86)	(27)	219%
	<u><u>244</u></u>	<u><u>108</u></u>	<u><u>126%</u></u>

n/m : not meaningful



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Note A - Other income comprise:-

Interest income
Other income

Group			
3 months to 30.06.05 S\$'000	3 months to 30.06.04 S\$'000		Change %
13	15		-13%
23	4		475%
<u>36</u>	<u>19</u>		<u>89%</u>

Note B - Cost of sales include :-

Depreciation of property, plant and equipment

Group			
3 months to 30.06.05 S\$'000	3 months to 30.06.04 S\$'000		Change %
550	777		-29%

Note C - Other operating expenses include :-

Depreciation of property, plant and equipment
Gain on exchange, net
Allowance for doubtful debts written back, net
Allowance for inventory obsolescence and inventories written off, net
(Profit) / loss on sale of property, plant and equipment, net
Loss on dilution of shareholding in associated company
Amortisation of goodwill

Group			
3 months to 30.06.05 S\$'000	3 months to 30.06.04 S\$'000		Change %
693	308		125%
(183)	(17)		976%
(8)	(8)		0%
71	57		25%
(3)	2		n/m
16	4		300%
-	93		n/m

Note D - Finance costs comprise:-

Interest on:
- bank loans and overdrafts
- loan from a minority shareholder of a subsidiary company
- others

Group			
3 months to 30.06.05 S\$'000	3 months to 30.06.04 S\$'000		Change %
337	322		5%
-	5		n/m
10	-		n/m
<u>347</u>	<u>327</u>		<u>6%</u>

Note E - Adjustments for under or overprovision of tax in respect of prior years:-

Underprovision / (overprovision) in respect of previous years:
- current taxation
- deferred taxation

Group			
3 months to 30.06.05 S\$'000	3 months to 30.06.04 S\$'000		Change %
-	(84)		n/m
6	4		50%
<u>6</u>	<u>(80)</u>		<u>n/m</u>



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1(b)(i) BALANCE SHEETS

	Group		Company	
	30.06.05 S\$'000	31.03.05 S\$'000	30.06.05 S\$'000	31.03.05 S\$'000
Share capital	23,861	23,861	23,861	23,861
Reserves	12,122	10,704	5,427	5,564
Shareholders' funds	35,983	34,565	29,288	29,425
Minority interests	(877)	(792)	-	-
	<u>35,106</u>	<u>33,773</u>	<u>29,288</u>	<u>29,425</u>
Represented by:				
Non-current assets				
Goodwill	7,263	7,168	-	-
Property, plant and equipment, net	18,093	19,012	1,433	1,502
Subsidiary companies	-	-	24,842	26,964
Associated company	13,199	11,138	-	-
Long term receivables	978	1,025	100	106
Deferred tax assets	546	539	-	-
	<u>40,079</u>	<u>38,882</u>	<u>26,375</u>	<u>28,572</u>
Current assets				
Inventories	9,462	8,029	-	-
Receivables	11,401	11,485	414	401
Tax recoverable	931	922	689	689
Fixed deposits	2,751	2,435	2,151	400
Cash at bank and in hand	2,899	3,320	397	119
	<u>27,444</u>	<u>26,191</u>	<u>3,651</u>	<u>1,609</u>
Current liabilities				
Trade and other payables	(11,771)	(10,220)	(666)	(684)
Short term bank borrowings	(7,300)	(7,279)	-	-
Long term bank borrowings, current portion	(4,106)	(3,985)	-	-
Loans from a minority shareholder of a subsidiary company	(1,440)	(1,390)	-	-
Provision for taxation	(269)	(67)	-	-
	<u>(24,886)</u>	<u>(22,941)</u>	<u>(666)</u>	<u>(684)</u>
Net current assets	2,558	3,250	2,985	925
Non-current liabilities				
Long term bank borrowings	(7,166)	(7,980)	-	-
Deferred tax liabilities	(365)	(379)	(72)	(72)
	<u>(7,531)</u>	<u>(8,359)</u>	<u>(72)</u>	<u>(72)</u>
	<u>35,106</u>	<u>33,773</u>	<u>29,288</u>	<u>29,425</u>

Net current assets decreased mainly due to the translation of Australian dollar based bank borrowings at a higher exchange rate with the strengthening of the Australian dollar and an increase in payables, offset by an increase in inventory levels.

Non-current liabilities decreased mainly due to the repayment of bank loans as explained in 1(b)(ii).



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1(b)(ii) GROUP BORROWINGS

	As at 30.06.05		As at 31.03.05	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	11,072	334	10,937	327
Amount repayable after one year	7,166	-	7,980	-

Details of any collateral:

(i) Total bank borrowings in Australian Dollars equivalent to S\$11,520,000 granted to a subsidiary company of which S\$5,566,000 falls due after one year, are secured by the following:-

- first legal mortgage over the subsidiary company's freehold property at 32 Raynham St. Salisbury, Queensland, Australia;
- legal assignment of the sale proceeds of the aforementioned property;
- legal charge over the equity interest held by the subsidiary company in another body corporate;
- corporate guarantee from the Company;
- fixed and floating charge over the assets of the subsidiary company; and
- deed of subordination from a fellow subsidiary company.

(ii) Total bank borrowings of S\$5,918,000 granted to a second subsidiary company, of which S\$1,600,000 falls due after one year, are secured by the following :-

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

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

- fixed charge on certain workshop equipment purchased with the bank borrowings; and
- corporate guarantee provided by the Company,

Group's Borrowings:

The Group's borrowings as at 30 June 2005 had decreased slightly from 31 March 2005 mainly due to repayment of term loans offset by the translation of Australian dollar based borrowings at a higher exchange rate.



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1(c) CASH FLOW STATEMENT FOR THE FIRST QUARTER ENDED 30 JUNE 2005

	Group	
	3 months to 30.06.05 S\$'000	3 months to 30.06.04 S\$'000
Cash flows from operating activities:		
Profit from operations before taxation	694	264
Add/ (less):		
Depreciation of property, plant and equipment	1,243	1,085
Interest income	(13)	(15)
Interest expense	347	327
(Profit) / loss on sale of property, plant and equipment, net	(3)	2
Loss on dilution of shareholding in associated company	16	4
Share of results of associated company	(1,223)	(794)
Amortisation of goodwill	-	93
Operating profit before reinvestment in working capital	1,061	966
Decrease / (increase) in receivables	62	(81)
(Increase) / decrease in inventories	(1,433)	669
Increase / (decrease) in payables	1,541	(2,091)
Currency re-alignment	35	(221)
Cash generated from / (used in) operations	1,266	(758)
Interest income received	13	15
Interest expense paid	(337)	(322)
Income taxes paid	(2)	(231)
Net cash provided by / (used in) operating activities	940	(1,296)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(334)	(809)
Proceeds from sale of property, plant and equipment	7	116
Loans repaid by / (given to) staff, net	67	(148)
Net cash used in investing activities	(260)	(841)
Cash flows from financing activities:		
Repayment of bank overdrafts, secured	(31)	(14)
(Repayment of) / proceeds from bank loans, net	(804)	264
Proceeds from / (repayment of) loans from a minority shareholder of a subsidiary company, net	50	(20)
Repayment of finance leases	-	(1)
Proceeds from issuance of new shares	-	6,277
Net cash (used in) / provided by financing activities	(785)	6,506
Net change in cash and cash equivalents	(105)	4,369
Cash and cash equivalents at beginning of financial period	5,755	6,005
Cash and cash equivalents at end of financial period	5,650	10,374

Note : Cash and cash equivalents consist of the following:-

	Group	
	As at 30.06.05 S\$'000	As at 30.06.04 S\$'000
Fixed deposits	2,751	8,896
Cash at bank and in hand	2,899	1,803
Bank overdrafts, unsecured	-	(325)
	5,650	10,374

Net cash provided by operating activities arose mainly due to favourable working capital movements.

Net cash used in investing activities during 1QFY2006 was significantly lower than 1QFY2005 largely due to lesser investment in property, plant and equipment as well as loan repayments from staff.

In financing activities, cash movements for 1QFY2006 was less favourable than 1QFY2005 which included proceeds from the share placement exercise completed in April 2004. There was also higher repayment of bank loans in 1QFY2006.



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1(d)(i) STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 30 JUNE 2005

<u>Group</u>	<u>Attributable to shareholders of the Company</u>					<u>Minority Interests</u> S\$'000	<u>Total Equity</u> S\$'000
	<u>Share Capital</u> S\$'000	<u>Share Premium</u> S\$'000	<u>Foreign Currency Translation Reserve</u> S\$'000	<u>Retained Earnings</u> S\$'000	<u>Shareholders' Funds</u> S\$'000		
Balance as at 1 April 2004	19,887	1,962	1,505	8,923	32,277	691	32,968
Exchange difference on translation of overseas subsidiary companies	-	-	(693)	-	(693)	(6)	(699)
Issuance of ordinary shares pursuant to exercise of options	6	1	-	-	7	-	7
Issuance of ordinary shares pursuant to share placement	3,968	2,302	-	-	6,270	-	6,270
Net profit from operations	-	-	-	135	135	(27)	108
Balance as at 30 June 2004	23,861	4,265	812	9,058	37,996	658	38,654
Balance as at 1 April 2005							
As previously reported	23,861	4,265	1,559	4,880	34,565	(792)	33,773
Effect on adopting FRS103	-	-	-	962	962	-	962
Balance as at 1 April 2005 (restated)	23,861	4,265	1,559	5,842	35,527	(792)	34,735
Exchange difference on translation of overseas subsidiary companies	-	-	159	-	159	1	160
Net profit from operations	-	-	-	330	330	(86)	244
Share of reserves movement in associated company	-	-	-	(33)	(33)	-	(33)
Balance as at 30 June 2005	23,861	4,265	1,718	6,139	35,983	(877)	35,106

Company

Balance as at 1 April 2004
 Issuance of ordinary shares pursuant to exercise of options
 Issuance of ordinary shares pursuant to share placement
 Net loss attributable to shareholders
Balance as at 30 June 2004
Balance as at 1 April 2005
 Net loss attributable to shareholders
Balance as at 30 June 2005

	<u>Share Capital</u> S\$'000	<u>Share Premium</u> S\$'000	<u>Retained Earnings</u> S\$'000	<u>Shareholders' Funds</u> S\$'000
Balance as at 1 April 2004	19,887	1,962	7,236	29,085
Issuance of ordinary shares pursuant to exercise of options	6	1	-	7
Issuance of ordinary shares pursuant to share placement	3,968	2,302	-	6,270
Net loss attributable to shareholders	-	-	(157)	(157)
Balance as at 30 June 2004	23,861	4,265	7,079	35,205
Balance as at 1 April 2005	23,861	4,265	1,299	29,425
Net loss attributable to shareholders	-	-	(137)	(137)
Balance as at 30 June 2005	23,861	4,265	1,162	29,288



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1(d)(ii) CHANGES IN COMPANY'S SHARE CAPITAL

There have been no changes to the issued share capital of the Company since 31 March 2005.

The total number of options outstanding as at 30 June 2005 are as follows:-

<u>Date of grant</u>	<u>No. of options outstanding</u>		<u>Expiry date</u>	<u>Exercise price per share</u>
	<u>As at 30.06.05 ('000)</u>	<u>As at 30.06.04 ('000)</u>		
16 October 2000	200	200	15 October 2005	S\$0.30
16 October 2000	546	686	15 October 2010	S\$0.30
31 July 2003	440	440	30 July 2008	S\$0.43
31 July 2003	1,245	1,465	30 July 2013	S\$0.43
	<u>2,431</u>	<u>2,791</u>		

2 AUDIT

The figures have not been audited or reviewed by the Company's auditors.

3 AUDITORS' REPORT

Not Applicable

4 ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 March 2005, except for the adoption of the following new Singapore Financial Reporting Standards ("FRS") that became effective for the financial year ending 31 March 2006:

(i) FRS 1 (r2004) - Presentation of Financial Statements

FRS 1 (r2004) now requires separate disclosure of amounts attributable to shareholders of the Company and to minority interests on the face of the income statement and on the face of the statement of changes in equity. Previously the separate presentation of minority interests was not required.

The Group has presented their financial statements in accordance with the guidance available in FRS 1 (r2004).

(ii) FRS 103 - Business Combinations

Under FRS 103, goodwill arising from business combinations as recorded in the balance sheet of the Group is no longer required to be amortised and charged to the income statement. Instead, such goodwill will be tested for impairment in accordance with revised FRS36 Impairment of Assets. Any impairment loss is charged to the income statement and subsequent reversal is not allowed.

No goodwill amortisation was recorded for the current quarter ended 30 June 2005 (Quarter ended 30 June 2004: S\$93,000).

Negative goodwill arising from business combinations must now be recognised immediately in the income statement. Previously, the Group recognised negative goodwill in the income statement over 3 years, being the weighted average useful life of those assets that are depreciable or amortisable. In accordance with the transitional provisions of FRS 103, negative goodwill of S\$961,500 which has not been recognised as at 31 March 2005, has been adjusted against the opening retained earnings in the current financial year.

(iii) Other improvements to FRS applicable from 1 January 2005

Apart from those described above, the Group adopted various revisions in FRS, mandatory for financial years beginning on or after 1 January 2005. These do not have any significant financial impact on the Group.

The effects of (i) and (ii) above have been reflected in item 1(d)(i) above.

The presentation and classification of certain items in the financial statements have been changed to provide proper comparisons with the current year's presentation.

5 CHANGES IN ACCOUNTING POLICIES

As discussed above.



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6 EARNINGS PER ORDINARY SHARE (EPS)

	Group	
	3 months ended 30.06.05 (cents)	3 months ended 30.06.04 (cents)
Earnings per ordinary share:-		
- Based on weighted average number of ordinary shares on issue (Note A)	0.35	0.14
- On a fully diluted basis (Note B)	0.35	0.14

Note A

The earnings per share based on existing share capital is calculated on the net profit attributable to the shareholders of the Company set out in 1(a) above and the weighted average number of ordinary shares in issue during the period under review :-

YTD June 2005 - 95.445 m shares (YTD June 2004 - 93.346m shares)

Note B

The earnings per share on a fully diluted basis is calculated on the net profit attributable to the shareholders of the Company set out in 1(a) above and the weighted average number of ordinary shares of in issue during the period under review (adjusted for the effects of dilutive potential ordinary shares being the share options granted to employees) :-

YTD June 2005 - 95.492 m shares (YTD June 2004 - 93.554m shares)

7 NET ASSET VALUE

	Group		Company	
	30.06.05 (cents)	31.03.05 (cents)	30.06.05 (cents)	31.03.05 (cents)
Net asset* value per ordinary share based on issued share capital	37.70	36.21	30.69	30.83

* Net asset refers to shareholders' funds.

8 REVIEW OF GROUP PERFORMANCE

TURNOVER

The Group registered a revenue of S\$13.7m for 1QFY2006, which represented an 8% slide against its turnover of S\$14.8m in 1QFY2005.

ROV fleet utilisation levels of the Subsea Robotics division remained low during the quarter. The Engine Systems division also experienced weaker activities in both its turbocharger and fuel injection segments.

Meanwhile, buoyant conditions in the oil and gas industry fueled strong demand for the services of the Oilfield Engineering Division.

PROFITABILITY

Despite a lower turnover in 1QFY2006, the Group had achieved a 144% improvement in net profit attributable to the shareholders of the Company compared to that of 1QFY2005. The improvement was led by its share of a stronger set of associate results and stronger earnings from the Oilfield Engineering division which benefitted significantly from the upturn in oil and gas exploration activities. 1QFY2006 also enjoyed earnings from the oilfield equipment rental business which were absent during 1QFY2005. Higher exchange gains also strengthened the Group's earnings for the quarter.

Subsea Robotics division sustained further losses in 1QFY2006 as fleet utilisation rate remained low with no imminent sign of turnaround.

Engine Systems division continued to be impacted by the on-going business integration exercise which took up significant management time and resources. Availability of cheaper substitutes also impacted the level of its turbocharger repair operations.

9 VARIANCE FROM PROSPECT STATEMENT

No significant variance noted.



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10 PROSPECTS

Going into the next quarter, the Group's Oilfield Engineering division will continue to benefit from the buoyant oil & gas market. Performance of its equipment leasing operations is, however, expected to decline following completion of a key rental contract in August 2005.

The Engine Systems division will witness the completion of its business integration process by end 2QFY2006. The division is also seeking to expand its earnings base through expansion into the complementary automotive performance vehicle market. Notwithstanding this, the targeted synergistic benefits and positive impact on its performance are expected to materialise only in the second half of the financial year.

On 28 July 2005, the Subsea Robotics division entered into a conditional asset purchase agreement for the sale of the entire fleet of its remotely operated vehicles ("ROVs") and related assets ("Assets") to Oceaneering International AG ("OIAG") for a cash consideration of US\$5.06m (approximately S\$8.43m). The divestment of the ROV fleet is anticipated to complete by end 2QFY2006 and will eliminate any further losses from its fleet-based operations in the second half year.

RCR will only be announcing its results every half-yearly. Accordingly, the Group's 2QFY2006 performance is likely to be weaker as it will not be able to take up any share of RCR's results until 3QFY2006.

Barring unforeseen circumstances, the Group is expected to return to profitability for the financial year ending 31 March 2006.

11 DIVIDENDS

- a) Any dividend declared for the present financial period? No
- b) Any dividend declared for the previous corresponding period? No
- c) Date payable
Not applicable
- d) Books closure date
Not applicable

BY ORDER OF THE BOARD

Fong Choon Seng
Company Secretary
13.08.05