MTQ Corporation Limited

2017/2018 Annual Report

CONTENTS

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 investment 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

CORPORATE PROFILE

MTQ Corporation Limited (“MTQ” or the “Group”) specialises in engineering solutions for oilfield equipment, including repair, manufacture and rental operations, supply of oilfield equipment and tools, engineering services with a focus in subsea and topside services, as well as pipe support and pipe suspension products. Well-known for its broad experience for over 35 years and commitment to service quality, the Group 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.

MILESTONES

2017 Acquisition of In-Line Valve, which is headquartered in United Kingdom and focused in the flow control valves for the upstream oil and gas industry

2016 Divestment of turbochargers and fuel injection businesses in Australia with the disposal of MTQ Engine Systems (Aust) Pty Ltd

2014 Expanded into design and manufacturing of proprietary and custom-built pipe support and pipe suspension through acquisition of Binder Group which has production facility in Indonesia

2012 Acquisition of Neptune Marine Services Limited located in Perth, which provides engineering services with a focus of subsea and topside services and has operational presence in the UK and Asia

2011 Acquisition of Premier Group located in Singapore, which repairs and manufactures oilfield equipment as well as supplies oilfield equipment and tools manufactured by some leading global brands

2009 Incorporated MTQ Oilfield Services W.L.L. in Bahrain to provide services to the oil and gas industry in Bahrain and Gulf states

2003 Metalock (Singapore) Limited (originally known as Metalock (Singapore) Pte Ltd) renamed to MTQ Corporation Limited and expanded into fuel injection business in Australia

2002 Divestment of marine related businesses

1999 Listed on SGX Mainboard and expanded into sales and repair of turbochargers business in Australia

1988 Listed on SGX SESDAQ

1969 Metalock (Singapore) Pte Ltd was incorporated as private limited company in Singapore and subsequently embarked on oilfield engineering, fabrication and equipment rental businesses

1959 Commenced operations in Singapore as Metalock (Far East) Ltd to set up a branch specialising in repairs of marine equipment

OUR SERVICES

With the combined engineering capabilities of our accredited facilities at MTQ Engineering, Bahrain, Pemac, Binder Group and In-Line Valve, we are able to offer complete manufacturing, repair and refurbishment services to the oil and gas industry. Our services include:

- Supply of oilfield equipment
- Equipment component manufacturing
- Remanufacturing of most drilling tools
- Oilfield equipment design and engineering services
- Equipment recertification and rig inspections
- General oilfield fabrication and welding
- Design and manufacturing of pipe support products
- Design, engineering, assembly and testing of flow control valves

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 GL

Within the Neptune Marine 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

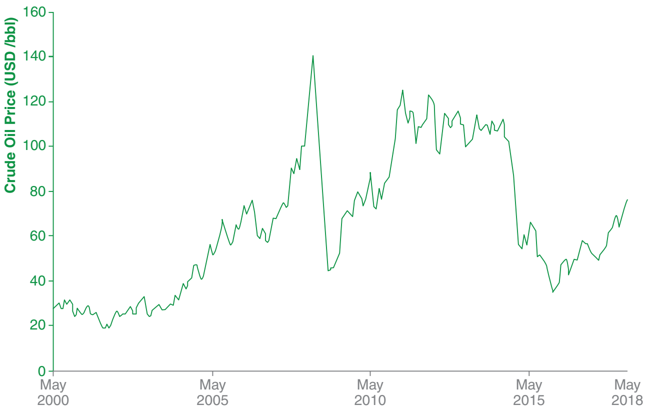
MESSAGE FROM THE CHAIRMAN AND GROUP CEO

DEAR SHAREHOLDERS,

OVERVIEW

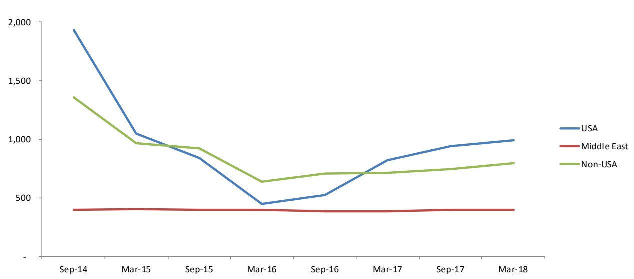
For the financial year ended 31 March 2018, MTQ Group ("MTQ" or "the Group") recorded revenue of S$112 million, a decline of 14% from the previous year. The total loss for the year was S$30.0 million. Included in these losses were goodwill and deferred tax write-offs amounting to S$11.8 million, which the Board deemed prudent to record. The year has continued to be a difficult one for the oil and gas industry, though there has been a stabilisation of activity in the oilfield engineering space.

CRUDE OIL PRICE



The oil price has broadly strengthened in the recent twelve months and represents a level where sustainable investment is justifiable. Most of the major oil companies have reported strong results on the back of improved operating margins.

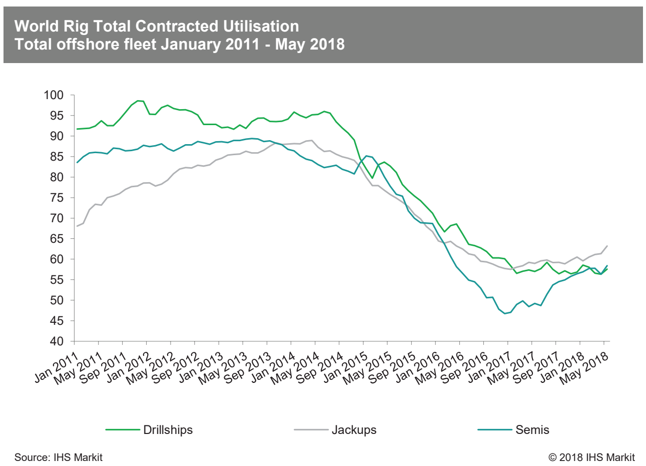
DRILLINGS RIGS DEPLOYED



The chart above analyses the number of drilling rigs that have been deployed over various time points since 2014. You will see a couple of key themes in the graph. The bulk of the increase in drilling activity during the last twelve months has been in the USA where all of the increases have come from land activity. In fact, offshore Gulf of Mexico has seen reduced activity from this time last year. Elsewhere, drilling activity has continued its gradual recovery with higher rig counts in the Middle East and Asia. The upstream market is increasingly two markets. Land based drilling is focused on the core markets in US and Middle East and growing strongly in the US on the back of shale extraction. Subsea drilling continues to recover but the pace of recovery since 2016 has been less robust.

What this means is that the fleet of drilling assets continues to see relatively low rates of utilisation. Any increase in the last twelve months has been modest. Scrapping of older rigs has helped and developments like Borr Drilling acquiring a fleet of recently completed rigs from shipyards in Singapore positioned the industry for recovery. More of this is happening and necessary. However, the tendering activity in the recent years has continued to push day rates lower and the stresses on asset owner balance sheets remain.

For service companies like us, the challenge in this environment is the need to work through this phase of lower activity and yields brought on by the woes of over investment leading up to 2014. In markets like the Middle East, we see steady demand for our services though localisation demands dampen the longer term prospects in Saudi Arabia. In markets like South East Asia, we continue to see customers deferring on essential maintenance work on their equipment until they secure new contracts. This phase cannot persist as the combination of improving utilisation and new investment will spur recovery on the horizon.



Source : IHS Petrodata World Rig Forecast : Short Term Trends May 2018

Since the Group concluded the sale of the Engine Systems business in April 2017, we have been focused on positioning our oilfield engineering and subsea businesses for better markets. We have made modest improvements in enhancing our product equipment offering by acquiring an UK-based valve company called In-Line Valve and fine-tuning our machinery offering in Bahrain and Singapore. In Neptune, we have remained prudent in capital expenditure and have addressed under-utilisation by making selected redundancies.

On the back of losses for the year, the Board felt the need to strengthen its balance sheet so that it continues to meet all its obligations and to position itself for new opportunities. Working closely with key shareholders, a fully-underwritten Rights cum Warrants Issue was launched in March 2018 and this led to net new capital of S$12.0 million being raised in April 2018. We have a strong financial position as at 31 March 2018 with gross bank debt of S$22.6 million and gross cash of S$10.8 million. Including the S$12.0 million received in April 2018, our effective net gearing would be zero. We continue to trim our borrowings and have a modest amount of loan repayments to be made in this coming year. We want to thank our shareholders and our corporate bankers for their support through this period. The likelihood that any recovery will be modest this year continues to compel us to take a prudent approach in conserving our cash resources.

BUSINESS REVIEW

SUMMARY

For the year, the Oilfield Engineering division recorded revenues of S$41.1 million, a reduction of 9% on the year before, the bulk of the reduction came from Bahrain, where there was a reduction in revenues from new manufacturing. In fact, Singapore revenues recorded an improvement for FY2018 and concluded the year with a profitable 4th quarter. The Neptune Marine division recorded a lower overall revenue on the back of lower revenues in Australian domestic services.

The Oilfield Engineering division recorded a modest operating loss, representing a good recovery from the previous year. Improved margins managed to lead to lower losses. However, the Neptune Marine division's losses widen in the year. Given the difficult operating environment, the Group also decided to write-off deferred tax assets and impair goodwill by S$11.8 million. With corporate overheads broadly similar, the overall effect is a modest reduction in losses for the year.

OILFIELD ENGINEERING

The Oilfield Engineering business comprises our engineering facilities in Pandan Loop and Loyang in Singapore, our facility in Bahrain and the Binder Group with facility in Jakarta, Indonesia.

In Singapore, we improved overall utilisation and managed to lift revenues. The level of activity was steady for most of the year but increased in 4th quarter FY2018. While overall rig utilisation in South East Asia has not improved greatly, a combination of rigs being mobilised and essential maintenance from South East Asia customers helped the overall market, we also see signs of increased work from Original Equipment Manufacturers ("OEM") activity as oil companies started to expand their upstream development expenditure. We continue to look out for repair opportunities in the downstream O&G space.

Our investments in oilfield handling tools continue to reap benefits as we look to be able to offer more comprehensive solutions to our customers. Sales and rental of drilling equipment has been quiet but the outlook moving ahead is more positive as more rigs are poised to rejoin the working fleet.

The Middle East market has continued to remain active. Our OEM customer base continues to provide a stable baseload of repair work. We have capitalised on opportunities to work with drilling contractors expanding their presence in the market for repair and component manufacturing. However, recent efforts to boost localisation levels in Saudi Arabia have seen us lose some market share. We recorded another year of profitability in Bahrain and the outlook there remains positive. Our drilling customers are still looking to achieve cost savings given their significantly reduced day rates and this continues to put us under pricing pressure. Business costs have also risen in Bahrain in the form of higher local charges and lower government subsidies.

For our pipe support activities, lower revenues were recorded in the year as compared with the previous year where the sizeable Singapore LNG project was recorded. Losses were significantly trimmed as the full year impact of cost reduction plans undertaken in FY2017 flowed through the results. We remain confident that LNG plants will continue to be developed moving ahead, notably in markets like Indonesia, Malaysia, the Middle East, India and the United States.

For the division, this has been a year of consolidating and positioning for recovery. Our focus is on capturing more business in line with business recovery and to utilise the areas of improvement in our operational processes we have made in recent years.

NEPTUNE MARINE

Neptune recorded lower revenues for the year of S$70.8 million, down by 17% and with overall post tax losses of S$23.3 million. Included in the losses was the write-off of deferred tax assets and impairment in goodwill amounting to S$11.8 million. It has been a disappointing year. The decline in revenue was mostly felt in the Diving and Subsea Stabilisation lines of business. Remotely Operated Vehicle ("ROV") utilisation improved during the year and the conscious decision to reposition the fleet for the South East Asian market was vindicated. However, the competitive pricing environment pushed gross profit margins lower with yields on ROV assets remaining low. In response to these challenging times, the company has undertaken a series of cost reduction measures. Headcount in Neptune has dropped by a further 13%. Overall results for the year were also affected by the impairment of trade receivables of S$0.9 million.

Our activities are very much focused on shallow water subsea and production activity, mostly in Australia but increasingly in South East Asia and the Middle East. The reality of current markets is that little new major development expenditure will be incurred in Australia and Neptune is looking to expand its footprint into new areas and also outside of Australia. We continue to remain a partner with oil producers like BP, Chevron and Total in supporting their engineering activities in

MESSAGE FROM THE CHAIRMAN AND GROUP CEO

the North Sea and in Australia. All our businesses will focus on opportunities which remain in the market, working closely with key customers with the focus on maintenance and other service-related opportunities.

Overall, our Oilfield Engineering and Neptune Marine businesses are facing tough markets and recovery will be a gradual process. We remain positive and remain committed to our strategy of developing a more comprehensive range of services, both geographically and functionally, so that our potential work scopes with our oil and gas customers can increase. Improving market sentiment is an encouraging sign, but the challenge remains for us to secure higher revenues and work through an environment where credit and yield pressures remain strong.

PEOPLE AND SAFETY

The Group recorded another year of good safety performance. Minimal incidents were noted and an improved culture of safety reporting in all parts of the Group have helped. Education and training remain important areas of emphasis.

It continues to be painful times regarding employment in the oil and gas industry, particularly in upstream drilling and exploration. Job losses at all levels have occurred and are continuing. Our own headcount numbers reflect a further 3.4% reduction though most have been due to natural attrition. Even as oil prices have rebounded, the growth in development expenditure particularly in offshore development remains gradual. We are taking the opportunity to make sure we address training of our workforce in this downturn. Specifically in Singapore, we are taking the patient route in preserving core competence in manpower. Ours is a structurally challenging sector given the decline in population. With government measures to restrict the growth of foreign workers in Singapore set to remain, the Group has to balance utilisation with availability when the industry recovers.

Our strategy in Bahrain remains to source local candidates and train them at our facility while augmenting overall numbers by recruitment from overseas for experienced and managerial positions. Another year of experience has been chalked up by our workforce. We continue to focus on building the Bahrain team for the future.

The total staff strength for the Group is about 868, broken down by geographical segments as follows:

Country	Headcount as at 31 March 2018	Headcount as at 31 March 2017
Singapore	188	206
Bahrain	141	137
Australia and UK	162	192
Indonesia - NMS	11	7
Indonesia - JV	366	357
	868	**899**

OUR THANKS

We want to thank the support of all the people who work for MTQ Group. We have had to ask many of our staff to make pay sacrifices. Everyone is doing their part to try and help the company tide through this period.

With the prospects of oil prices recovering, we feel an improving sentiment within the industry. Activity levels in the Middle East remain high and look sustainable. As depletion of existing reserves continue, we anticipate that development expenditure will rebound strongly and will start to improve the current levels of utilisation. We remain focused on our customers and our employees, and to work positively towards delivering better services in better markets. When that day comes, we should be able to regain our profitability. Once again, we like to thank our shareholders for their continuing support to the company.

KUAH KOK KIM
Chairman

KUAH BOON WEE
Group Chief Executive Officer

BOARD OF DIRECTORS

KUAH KOK KIM *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-appointed as Director at MTQ's Annual General Meeting on 29 July 2016. 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 29 July 2016. 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 28 July 2017. He 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 Chief Executive Officer of Readymix Group.

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 31 July 2015. He was appointed as Chairman of the Audit Committee on 1 August 2012. A UK qualified chartered accountant, Mr. Chew is currently the Executive Chairman of Khong Guan Limited. Mr. Chew also serves on the board of several other listed companies.

CHRISTOPHER HO HAN SIONG *Non-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 29 July 2016. 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 Senior Vice President for Investments in Tai Tak Securities Pte Ltd.

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 28 July 2017. 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 and was a banker by vocation. Mr. Huang is also an independent director of Hwa Hong Corporation Limited and Asia Commercial Bank, Vietnam.

ONG ENG YAW *Independent Director*

Mr. Ong joined the Board on 28 October 2016 and was appointed as a member of the Remuneration Committee on the same date. He was last re-elected as Director at MTQ's Annual General Meeting on 28 July 2017. Mr. Ong graduated with a Bachelor of Laws (Second Class Upper Division) from University College London and holds a Master of Science (Investment Management) from the Cass Business School and a Master of Business Administration from INSEAD. Mr. Ong currently holds the position of Senior Vice President (Real Estate) at Hwa Hong Corporation Limited.

SENIOR MANAGEMENT

CORPORATE OFFICE

TAN LEE FANG
Group Financial Controller and Company Secretary

Ms. Tan joined the Group in 2014 and was holding the position of Financial Controller prior to her appointment as Group Financial Controller and Company Secretary with effect from 31 December 2017. She is responsible for the Group's financial and management reporting, taxation and corporate secretarial functions. Ms. Tan has more than 15 years of experience working in a listed company and in an audit firm. She holds a Bachelor of Accountancy (Honours) degree and is a member of the Institute of Singapore Chartered Accountants.

OILFIELD ENGINEERING DIVISION

VINCENT TAN
Managing Director – MTQ Engineering Pte Ltd

Mr. Tan holds a Masters of Business Administration with Distinction from University of Louisville at Kentucky, USA, and a Bachelor of Mechanical Engineering (Honours) from Nanyang Technological University. He joined MTQ Engineering Pte Ltd in June 2012. Mr. Tan has over 16 years of 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 and onshore 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 drilling industry and expanding international sales.

SUMARDI BIN SIDI
Managing Director – Pemac Pte Ltd

Mr. Sidi has over 32 years of experience in repair, manufacturing and remanufacturing of API Product Specification (5CT, 7-1, 6A, 16A and 16C) servicing drilling contractors in the region. He has extensive knowledge and experience in quality control and assurance. He is a Certified Welding Inspector with the American Welding Society.

ASIF SALIM VORAJEE
General Manager – MTQ Oilfield Services W.L.L.

Mr. Vorajee holds a Master of Engineering (Honours) in Mechanical Engineering. He joined MTQ Oilfield Services W.L.L. in January 2012 and has more than 10 years of experience in mechanical engineering with extensive knowledge in API repair, manufacturing and remanufacturing in the drilling industry. Mr. Vorajee is responsible for the oilfield engineering business located in Bahrain.

NEPTUNE

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.

GROUP STRUCTURE

(as at 8 June 2018)

MTQ Corporation Limited

- 100.0% MTQ Engineering Pte Ltd — 1.0%
- 99.0% MTQ Oilfield Services W.L.L.
- 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% Pemac Pte Ltd
- 100.0% Blossomvale Investments Pte Ltd
  - 87.1% 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 Offshore Services (PNG) Ltd
    - 100.0% Neptune Asia Holdings Pte Ltd
      - 100.0% Neptune Access IRM Pte Ltd
      - 100.0% Neptune Marine Pacific 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%
      - 1.0% PT Neptune Subsea Stabilisation
    - 100.0% Neptune Scotland Holdings Ltd
      - 100.0% Neptune Offshore Services Ltd
      - 100.0% Neptune Subsea Inc
      - 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.)
- 100.0% MTQ Binder Holdings Pte Ltd
  - 100.0% Binder Group Pty Ltd
    - 100.0% Binder Asia Pte Ltd — 10.0%
    - 90.0% Binder Holdings Pte Ltd
      - 50.0% PT Binder Indonesia
- 33.3% In-Line Valve Company Limited
- 33.3% In-Line Valve ME Limited

FIVE-YEARS FINANCIAL PROFILE

	2018	2017	2016	2015	2014
FOR THE YEAR (IN S$'000)					
Revenue[1]	111,866	130,361	178,663	248,426	264,436
EBITDA[2]	(10,568)	(6,464)	5,523	31,087	43,297
(Loss) / Profit before tax[1,2]	(19,404)	(20,589)	(11,401)	13,859	27,674
(Loss) / Profit after tax[2]	(18,185)	(16,206)	(6,764)	12,302	24,650
(Loss) / Profit attributable to owners of the Company[2]	(16,738)	(15,133)	(6,719)	11,849	23,878
AT YEAR END (IN S$'000)					
Net current assets	32,950	65,293	66,444	82,389	83,631
Total assets	111,136	171,798	198,092	256,405	271,309
Total liabilities	44,446	71,826	84,718	118,055	130,997
Net debt[3,8]	11,875	10,333	19,120	16,297	28,445
Shareholders' funds	63,186	93,945	105,664	128,960	130,657
Net tangible assets[4]	58,246	83,392	90,028	106,920	99,119
FINANCIAL RATIOS					
Return on shareholders' funds (%)[2,5]	(26.49)	(16.11)	(6.36)	9.19	18.28
Interest cover	(13.28)	(4.90)	2.96	13.95	16.45
(EBITDA / Net interest expense)[2,6]	times	times	times	times	times
Net debt gearing ratio (%)[7,8]	15.11	9.37	14.43	10.54	16.83
PER SHARE DATA					
Basic (loss) / earnings (in Singapore cents)[2,9]	(10.83)	(9.80)	(4.35)	7.73	15.80
Net tangible assets (in Singapore cents)[10]	37.70	53.97	58.32	69.19	65.03
Net asset value (in Singapore cents)[11]	40.89	60.80	68.45	83.46	85.73
Dividend (in Singapore cents)[12]	0.00	0.00	0.00	4.00	3.67
Dividend payout ratio (%)[13]	0.00	0.00	0.00	122.32	23.23

1 *Excluding discontinued operation's statistic.*

2 *Excluding impairments in goodwill and fixed assets as well as write-off of deferred tax assets.*

3 *Net debt is defined as gross debt less cash and bank balances.*

4 *Net tangible assets is defined as shareholders' funds less intangible assets.*

5 *Return on shareholders' funds is defined as (loss) / profit attributable to owners of the Company divided by shareholders' funds.*

6 *Net interest expense refers to interest expense less interest income.*

7 *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.*

8 *Including the S$12.0 million net proceeds from the Rights cum Warrants Issue exercise received in April 2018, the Group would have been in a net cash position of S$0.1 million.*

9 *Basic (loss) / earnings per share is defined as (loss) / profit attributable to owners of the Company divided by weighted average number of issued shares.*

10 *Net tangible assets per share is defined as net tangible assets divided by total number of issued shares excluding treasury shares.*

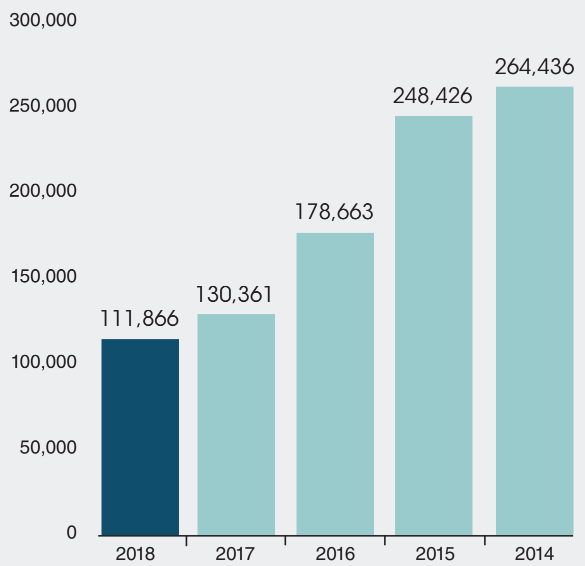
11 *Net asset value is defined as shareholders' funds divided by total number of issued shares excluding treasury shares.*

12 *Headline dividend for 2014 to 2015 was 4.00 Singapore cents per share. The figure for 2014 has been adjusted retrospectively for the effect of bonus shares, which is entitled to the final dividend, issued in 2014.*

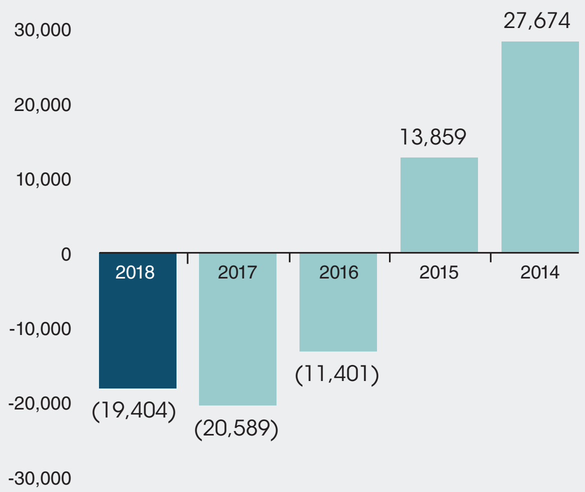
13 *Dividend payout ratio is defined as dividend per share paid/payable in respect of the financial year divided by the basic earnings per share.*

FIVE-YEARS FINANCIAL PROFILE

REVENUE (S$'000)

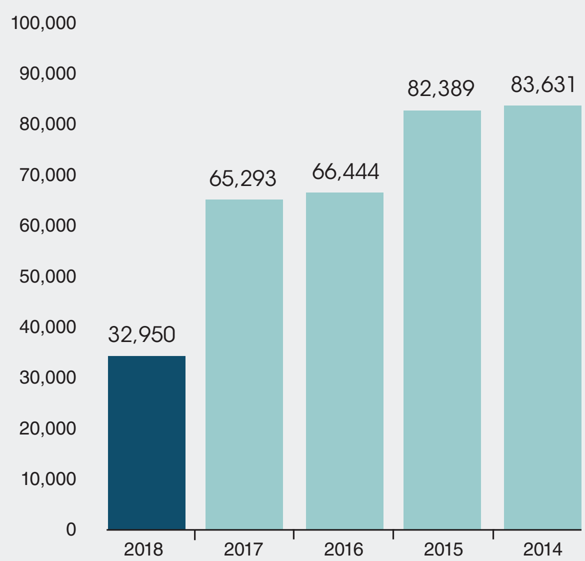


(LOSS)/PROFIT BEFORE TAX (S$'000)

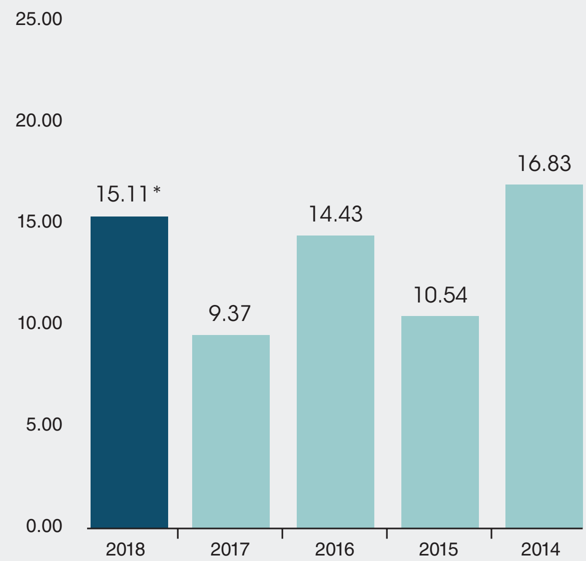


Excluding impairments in goodwill and fixed assets as well as write-off of deferred tax assets.

NET CURRENT ASSETS (S$'000)



NET DEBT GEARING RATIO (%)



* *Including the S$12.0 million net proceeds from the Rights cum Warrants Issue exercise received in April 2018, the Group would have been in a net cash position of S$0.1 million.*

FINANCIAL REVIEW

REVENUE

In the financial year ended 31 March 2018 ("FY2018"), the Group recorded revenue of S$111.9 million, a decrease in revenue by S$18.5 million or 14% from S$130.4 million recorded in financial year ended 31 March 2017 ("FY2017").

The decrease was largely from Neptune segment which recorded several project delays. The Oilfield Engineering segment, on the other hand, saw improved activities particularly in Singapore although lower pipe support and new manufacturing revenues (which command lower margins) resulted in lower overall revenue for the year.

PROFIT

Overall gross profit decreased by 26% to S$17.2 million in FY2018, in line with lower revenue, with gross profit margin narrowing from 18% to 15%.

As the Group continues to operate in this challenging environment, it took a prudent approach and made about S$0.9 million of allowance for impairment of trade receivables against some long outstanding debts as well as recognised impairment in goodwill and write-off of deferred tax assets totalling S$11.8 million within the Neptune segment. Excluding these, the Group's staff costs and other operating expenses decreased considerably due to its cost rationalisation effort.

Finance costs decreased by 39% to S$0.8 million in FY2018 mainly due to lower borrowings during the year.

Overall, the Group's pre-tax losses would have been S$19.4 million excluding the impairment in goodwill, a slight improvement from FY2017 mainly driven by lower losses from Oilfield Engineering segment.

The Group recorded a tax expense of S$5.1 million (FY2017: tax credit of S$1.4 million) largely due to the write-off of deferred tax assets of S$6.3 million during the year.

BALANCE SHEET

Net assets decreased by S$33.3 million or 33% to S$66.7 million, with impairment in goodwill and write-off of deferred tax assets accounting for about S$11.8 million of the decrease.

Total bank borrowings decreased as the Group repaid its borrowings to reduce interest expenses. The Group also refinanced part of its borrowings resulting in a longer debt maturity profile.

Overall, shareholders' funds amounted to S$63.2 million as at 31 March 2018, a decrease of 33% from a year ago.

DIVIDENDS

No dividend has been proposed for the financial year ended 31 March 2018 to conserve cash in this challenging market conditions.

CASHFLOWS

The Group had a net cash outflow of S$7.3 million from operating activities mainly due to the losses recognised for the year (FY2017: net cash inflow S$0.2 million).

Capital expenditure in FY2018 comprised mainly maintenance expenditure. Including the final part consideration payment from the disposal of Engine Systems, the Group generated S$5.7 million cash from investing activities during FY2018.

Within the financing activities, the Group did not pay any dividends with respect to FY2017 or FY2018 and had a net repayment of bank borrowings during the year amounting to S$17.8 million.

Overall, cash balances decreased by S$20.6 million to S$10.8 million as at 31 March 2018. Including the net proceeds of S$12.0 million received in April 2018 from the Rights cum Warrants Issue exercise, the Group's cash balances would have been S$22.8 million.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Total bank borrowings and finance lease payables decreased by 46% to S$22.6 million as at 31 March 2018, while net debt position increased by 15% to S$11.9 million. Consequently, net gearing ratio increased from 9.4% to 15.1% during FY2018.

The capital of the Company remained unchanged during the financial year except for some shares being bought back and subsequently deployed by the Company pursuant to the MTQ Share Plan, as well as the Rights cum Warrants Issue exercise that the Group undertook to strengthen its financial position during this prolonged downturn. The capital raising exercise was completed in April 2018. Including the net proceeds of S$12.0 million received, the Group would have been in a net cash position.

FINANCIAL AND CORPORATE CALENDAR

2018

27 JULY
FY2018 Annual General Meeting

27 JUNE
Despatch of Annual Report and Notice of AGM for FY2018

20 JUNE
Notice of 3 Consecutive Years' Losses

14 MAY
Full Year FY2018 Results Announcement
Use of Net Proceeds from Rights cum Warrants Issue

18 APRIL
Listing and quotation of Rights Shares and Warrants in respect of the Rights cum Warrants Issue

17 APRIL
Results of the Rights cum Warrants Issue

26 MARCH
Lodgment and despatch of the Offer Information Statement in respect of the Rights cum Warrants Issue

14 MARCH
Notice of Books Closure Date in respect of the Rights cum Warrants Issue

5 MARCH 2018
Receipt of approval in-principle from the SGX-ST in respect of the Rights cum Warrants Issue

30 JANUARY 2018
Third quarter FY2018 Results Announcement
Renounceable Underwritten Rights cum Warrants Issue ("Rights cum Warrants Issue")

2017

30 NOVEMBER
Cessation of Group Chief Financial Officer and Company Secretary with effect from 31 December 2017
Appointment of Group Financial Controller and Company Secretary with effect from 31 December 2017

30 OCTOBER
Second quarter FY2018 Results Announcement

3 OCTOBER
Wound up of a wholly-owned subsidiary, MTQ Holdings Pty Ltd, by way of de-registration

7 SEPTEMBER
Transfer of 98,208 Treasury Shares pursuant to the MTQ Share Plan

28 JULY
FY2017 Annual General Meeting

25 JULY
First quarter FY2018 Results Announcement
Acquisition of In-Line Valve Company Limited and In-Line Valve ME Limited

29 JUNE
Despatch of Annual Report and Notice of AGM for FY2017

5 MAY
Full Year FY2017 Results Announcement

5 APRIL
Post-completion of the disposal of MTQ Engine Systems (Aust) Pty Ltd

CORPORATE INFORMATION

BOARD OF DIRECTORS

Kuah Kok Kim
Chairman

Kuah Boon Wee
Group Chief Executive Officer

Nicholas Campbell Cocks
Lead Independent Director

Chew Soo Lin
Independent Director

Christopher Ho Han Siong
Non-Independent Director

Huang Yuan Chiang
Independent Director

Ong Eng Yaw
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 Eng Yaw

COMPANY SECRETARY

Tan Lee Fang

REGISTERED OFFICE

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PRINCIPAL BANKERS

DBS Bank Ltd
United Overseas Bank Limited
Australia and New Zealand Banking Group Limited

AUDITOR

Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay, North Tower Level 18
Singapore 048583

PARTNER-IN-CHARGE

Tan Seng Choon
(since financial year ended 31 March 2016)

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DIRECTORY OF PRINCIPAL OFFICES

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MTQ EQUIPMENT RENTAL PTE LTD

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MELBOURNE

3/273 Williamstown Rd, Port Melbourne, Victoria, 3207
Tel: (61) 3 9392 2901 / Fax: (61) 3 9392 2999

FINANCIAL REPORT

CORPORATE GOVERNANCE

The Board and the Management of the Company (the "Group") are committed to maintaining a standard of corporate governance to ensure shareholders' interests and enhance corporate performance and accountability.

This report sets out the Group's corporate governance practices with specific reference to the Code of Corporate Governance 2012 (the "Code"). The Group subscribe fully to the principles, guidelines 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 2018. The Group continually reviews and refines the Company's corporate governance processes and practices in light of the best practices, consistent with the needs and circumstances of the Group.

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.

The Group has adopted internal guidelines via a Structured Delegation of Authority matrix which sets out the authorisation and approval limits for capital and revenue expenditures, contractual commitments, disposal, assets write-offs and provisioning at Board and Management levels.

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 divestment 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 Constitution 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 records of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings held during the year, is disclosed below.

CORPORATE GOVERNANCE

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, governance practices, relevant statutory and regulatory compliance issues. Upon the appointment of each new Director, the Company will furnish a formal letter to the Director, which sets out the Director's duties and obligations as a member of the Board. Incoming Directors are also given full access to the past years' annual reports and minutes of the Board meetings.

Directors are encouraged to participate in seminars and training programmes in connection with their duties and are funded by the Company. Directors are also provided with updates and briefings from time to time by professional advisors, auditors and management on relevant practices, new rules and regulations, listing requirements, corporate governance practices, changes in financial reporting standards, risk management and industry specific knowledge applicable to performance of their duties and responsibilities as Directors. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

Changes to regulatory and financial reporting 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.

Attendance at Board and Board Committee Meetings

The attendance records of the Directors at the Board and Board Committee meetings are set out as follows:

Type of Meetings		**Board**	**Audit Committee**	**Remuneration Committee**
No. of Meetings held		7	4	1
Name of Director		**Meetings attended**		
Kuah Kok Kim	(Chairman)	7	4 *	–
Kuah Boon Wee	(Executive)	7	4 *	1 *
Nicholas Campbell Cocks	(Independent)	7	4 *	1
Chew Soo Lin	(Independent)	7	4	–
Christopher Ho Han Siong	(Non-Independent)	6	4	–
Huang Yuan Chiang	(Independent)	5	3	1
Ong Eng Yaw	(Independent)	7	4	1

* Attendance by invitation of the Committee.

Principle 2 : Board Composition and Guidance

The Board presently comprises of 7 Directors, of which 6 are non-executive Directors. The Board adopts the Code's definition of an independent director and reviews the independence of each Director annually. For the purposes of the determination, the non-executive Directors provided declarations of their independence on an annual basis which were deliberated upon by the Board.

CORPORATE GOVERNANCE

Review of Directors' Independence

In the review of the Directors' independence, the Board (with the respective directors abstaining from reviewing his own independence) has determined that:

1) Mr. Christopher Ho Han Siong is not considered independent by virtue of his association with Tai Tak Securities Pte Ltd ("Tai Tak"). Tai Tak holds more than 10% of the voting shares in the Company following the completion of the Rights cum Warrants Issue exercise undertaken by the Company subsequent to the year end.

2) Mr. Huang Yuan Chiang continues to be independent notwithstanding that he has served on the Board for more than 9 years from the date of his first appointment. The Board rigorously reviewed the independence of Mr. Huang Yuan Chiang, as recommended by the Code and is of the view that Mr. Huang Yuan Chiang's length of service has not compromised the Directors' objectivity and commitment in discharging his duties as director, after considering the following factors (a) shareholding interest, (b) gift or financial assistance, (c) past association, (d) business dealings and (e) financial independence. The Board also acknowledges and recognises the benefits of the experience and stability brought by long-serving Independent Directors.

3) Mr. Nicholas Campbell Cocks, Mr. Chew Soo Lin and Mr. Ong Eng Yaw whom have served the Board for less than 9 years continue to be independent. They have no relationships with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement.

The Board complies with the Code's independent element guidelines requiring at least half of the Board being independent when the Chairman and CEO are immediate family members. As a significant majority of the Board consists of non-executive and independent directors, objectivity on issues deliberated is assured and the management is able to benefit from the external perspectives on issues brought before the Board.

The size and composition of the Board is considered appropriate for its present scope of operations. The Board comprises of 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. In recommending appointments, considerations such as skills, experience, gender and knowledge of a company have been taken into account.

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 achieving the 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.

Mr. Nicholas Campbell Cocks is the Lead Independent Director. He leads and co-ordinates the activities of the independent directors and calls meetings of the independent directors, where necessary. He is the principal liaison on board issues between the Independent Directors and Chairman, including having to deal with the management of any actual or perceived conflict of interest that may arise.

There were no alternate directors being appointed during the year.

The Directors' academic and professional qualifications are set out in the "Board of Directors" section of this report.

CORPORATE GOVERNANCE

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, the 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. The Group CEO assists the Chairman in the latter's execution of his responsibilities.

The Company's Constitution 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. When a need for a new director arises, either to replace a retiring director or to enhance the Board's strength, the Board will source for new candidates with the desired competencies. External help may be engaged to source for potential candidates if considered necessary. Where necessary, the Board may also tap on its networking contacts to assist with identifying and shortlisting of candidates. The Board will meet shortlisted candidates for an interview before the appointment is considered and approved.

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.

The Board is satisfied that Directors who have multiple board representations have committed sufficient time, attention and contributed meaningfully to the affairs of the Group. Their multiple board representations do not hinder their abilities to carry out their duties as Directors of the Company. Accordingly, the Board has decided not to fix a maximum number of listed company board representations a Director may hold. However, each Director is required to disclose to the Board his board representation whenever there are changes to his directorship. In addition, the Board would continue to review from time to time the board representations and other principal commitments of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. The Board is satisfied that all Directors have discharged their duties adequately for the financial year ended 31 March 2018.

CORPORATE GOVERNANCE

Apart from the Group, below are the lists of the Directors' principal commitments, directorships both present and those held over the preceding three years in other listed companies:

Name of Director	Present Directorships in Other Listed Companies	Directorships in Other Listed Companies Held Over the Preceding 3 Years	Principal Commitments
Kuah Kok Kim	–	–	–
Kuah Boon Wee	- The Hour Glass Limited - UOB-Kay Hian Holdings Limited	- The Hour Glass Limited - UOB-Kay Hian Holdings Limited	–
Nicholas Campbell Cocks	–	–	Mr. Cocks is the Chief Executive Officer of Readymix Group. He also sits on the board of Forest Adventure Pte Ltd.
Chew Soo Lin	- Asia-Pacific Strategic Investments Limited - Duty Free International Limited - Khong Guan Limited	- China Medical (International) Group Limited - Asia-Pacific Strategic Investments Limited - Duty Free International Limited - Khong Guan Limited	Mr. Chew is the Executive Chairman of Khong Guan Limited and sits on the board of certain subsidiaries of Khong Guan Limited.
Christopher Ho Han Siong	–	- Cordlife Group Limited	Mr. Ho is the Senior Vice President for Investments in Tai Tak Securities Pte Ltd and sits on the board of certain subsidiaries of Tai Tak Group.
Huang Yuan Chiang	- Hwa Hong Corporation Limited - Asia Commercial Bank, Vietnam	- Hwa Hong Corporation Limited - Mercator Lines (Singapore) Limited	–
Ong Eng Yaw	- Singapore Reinsurance Corporation Limited	- Singapore Reinsurance Corporation Limited	Mr. Ong is the Senior Vice President (Real Estate) at Hwa Hong Corporation Limited. He also sits on the board of certain subsidiaries of Hwa Hong Corporation Limited.

Article 91 of the Company's Constitution 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, Article 97 of the Company's Constitution stipulates that all new Directors must submit themselves for re-election at the next Annual General Meeting of the Company immediately following their appointment.

CORPORATE GOVERNANCE

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

Name of Director	Appointment	Date of Initial Appointment	Date of Last Re-election/ Re-appointment
Kuah Kok Kim	Chairman	01.01.1997	29.07.2016
Kuah Boon Wee	Executive Director	10.10.2006	29.07.2016
Nicholas Campbell Cocks	Lead Independent Director	01.10.2010	28.07.2017
Chew Soo Lin	Independent Director	18.05.2012	31.07.2015
Christopher Ho Han Siong	Non-Independent Director	30.10.2007	29.07.2016
Huang Yuan Chiang	Independent Director	08.08.2001	28.07.2017
Ong Eng Yaw	Independent Director	28.10.2016	28.07.2017

Mr. Kuah Boon Wee and Mr. Chew Soo Lin are due for re-election at the forthcoming Annual General Meeting, pursuant to Article 91 of the Company's Constitution. The Board has recommended Mr. Kuah Boon Wee and Mr. Chew Soo Lin for re-election as Directors.

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. While the Code recommends that the directors be assessed individually, the Board felt that it is more appropriate and effective to evaluate the Board on a whole, bearing in mind that each board member contributes in different ways. 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. The management can also access them for guidance or exchange of views outside the formal environment of Board meetings.

As part of the Board effectiveness evaluation for the financial year ended 31 March 2018, all the Directors are requested to complete a Board Evaluation Questionnaire designed to seek their view on the various aspects of the Board performance. The completed evaluation forms are to be returned to the Lead Independent Director for collation and consolidated responses were presented to the Board for discussion and determining areas for improvement and enhancement of the Board effectiveness. These performance criteria shall not change from year to year, and where circumstances deem it necessary for any criteria to be changed, the Board shall justify its decision for the change.The evaluation for the financial year ended 31 March 2018 confirmed that the Board and its Board Committees were generally functioning effectively during the year.

Principle 6 : Access to Information

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.

As a general rule, board reports are sent to Board members at least 3 working days before the Board meeting to afford the Directors with sufficient time to review the board reports prior to the meeting.

CORPORATE GOVERNANCE

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, Chapter 50 (the "Act"), the Constitution of the Company, the Listing Rules of Singapore Exchange Securities Trading Limited ("SGX-ST"), Securities and Futures Act and other relevant regulatory requirements.

Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its committees and between senior management and non-executive Directors, as well as facilitating orientation and assisting with professional development as required. The Company Secretary attends and administers all Board meetings and prepares the minutes of board proceedings. Under the Company's Constitution, the appointment and removal of Company Secretary has to be approved by the Directors.

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 as at the date of this report comprises the following Directors:

Huang Yuan Chiang (Chairman)
Nicholas Campbell Cocks
Ong Eng Yaw

The Remuneration Committee consists of 3 members, all of whom are non-executive and Independent Directors. The Remuneration Committee is guided by its terms of reference that are in line with the Code.

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 Group is committed to ensuring its remuneration structures are appropriately aligned with shareholder value creation over the short and long term and focuses on motivating, rewarding and retaining key executives. The remuneration structures aim to link performance and reward against the profits or objectives set in the Group's business plan and strategy while taking into account challenges and market forces that the Group is confronted with when faced with cyclical and economic forces.

Remuneration Structure

(i) Non-executive Directors

The non-executive Directors do not have service contracts, receive retirement benefits nor do they participate in any incentive programs. Each non-executive Director is paid director's fee, of which the amount is dependent on their level of responsibilities.

Each non-executive Director, except the Chairman of the Board, receives a base fee of S$27,000 while the Chairman of the Board receives a base fee of S$59,500. An additional fee of S$6,750 to S$20,250 is paid if the Director (except the Chairman of the Board) serves as member or Chairman of the Audit or Remuneration Committees. The additional fees paid for serving on a committee recognises the additional time commitment required by the Directors.

CORPORATE GOVERNANCE

Total directors' fees are recommended and endorsed by the Board for approval by shareholders of the Company at the forthcoming Annual General Meeting. No Director is involved in deciding his own remuneration.

In addition to the above, the Chairman of the Board is paid consultancy fees for consultancy services provided to a subsidiary of the Group.

(ii) Group CEO

The remuneration scheme for the executive Director is linked to performance, service record, experience and scope of responsibility. Performance is measured against the profits or objectives set in the Group's business plan and strategy. The service contract for the Group CEO 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.

The Group CEO's remuneration mix comprises:

- Fixed element – salary and benefits which accounts for approximately 25% of the maximum remuneration in a financial year.
- Variable element – up to approximately 75% of the maximum remuneration in a financial year, based on achievement of short term KPI's and profit outcomes. The variable element is payable over 4 years (67% during the year of award, 33% equally over the following 3 years), subject to certain conditions in the terms of service contract.

(iii) Key Executives

The Group segments its employees into 3 key groupings:

a) individuals who are best able to influence the long-term strategy and direction of the organisation;

b) key employees across the organisation who have a greater influence over business outcomes; and

c) all other employees.

In creating a total remuneration framework for segment (a) and (b) employees, the Group adopts both short and long-term incentives in addition to the fixed element of the employees' remuneration.

Short-term rewards are cash-based and reflect both the individual and business performance over the relevant financial period. The amount to be awarded is based on the profits of the business units as well as the individual's performance score during the annual appraisal process.

The Group adopts the MTQ Share Plan as a long-term compensation scheme which rewards the participants, who are largely segment (a) employees, when and after pre-determined performance conditions are met, based on a percentage of annual base salary subject to the discretion of the Remuneration Committee. Further details on the operation of MTQ Share Plan are disclosed in the Directors' Statement section.

CORPORATE GOVERNANCE

Remuneration Outcome

The remunerations paid to the Directors during the financial year ended 31 March 2018 are set out below:

Name of Director	Fixed Component[1] (S$'000)	Variable Component (S$'000)	Provident Fund[3] (S$'000)	Benefits[4] (S$'000)	Consultancy Fees[5] (S$'000)	Directors' Fees[6] (S$'000)	Total (S$'000)
Kuah Kok Kim[7]	–	–	–	–	154	60	214
Kuah Boon Wee[7]	362	222[2]	17	18	–	–	619
Nicholas Campbell Cocks	–	–	–	–	–	34	34
Chew Soo Lin	–	–	–	–	–	47	47
Christopher Ho Han Siong	–	–	–	–	–	38	38
Huang Yuan Chiang	–	–	–	–	–	50	50
Ong Eng Yaw	–	–	–	–	–	34	34

1 Fixed Component refers to base salary and Annual Wage Supplement paid during the financial year ended 31 March 2018.

2 This refers to deferred cash bonuses, which were awarded for financial years ended 31 March 2014 and 2015's performance, paid out during the financial year ended 31 March 2018. The remaining unpaid balance of S$288,000 has been relinquished subsequent to year end.

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 memberships.

5 Consultancy Fees refer to fees for consultancy services provided to a subsidiary during the financial year ended 31 March 2018.

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

7 Mr. Kuah Kok Kim, Chairman of the Company, is the father of Mr. Kuah Boon Wee, Group CEO of the Company.

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

Name of Key Executive	Fixed Component[1] (S$'000)	Variable Component[2] (S$'000)	MTQ Share Plan[3] (S$'000)	Provident Fund[4] (S$'000)	Benefits[5] (S$'000)	Total (S$'000)
Between S$500,001 and S$750,000						
Ian Robert Hortin	234	–	3	17	374	628
Robin King	494	–	28	50	35	607
Between S$250,001 and S$500,000						
Vincent Allegre[6]	394	–	10	40	29	473
Asif Vorajee	163	18	1	12	51	245
Vincent Tan	201	–	5	15	14	235

1 Fixed Component refers to base salary and Annual Wage Supplement (if any) paid during the financial year ended 31 March 2018.

2 Variable Component refers to cash bonus, which was awarded for financial year ended 31 March 2017, paid out during the financial year ended 31 March 2018.

3 The figures are based on the grant date fair values of the tranches of Awards vested and released during the financial year ended 31 March 2018. Further information on the MTQ share Plan is set out in the Directors' Statement section.

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

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

6 Mr. Vincent Allegre has left the Group during the year.

CORPORATE GOVERNANCE

The total amount paid to the top 5 executives during the financial year ended 31 March 2018 is S$2.19 million.

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 2018.

ACCOUNTABILITY AND AUDIT

Principle 10 : Accountability

Management provides monthly balanced and understandable 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. The Board is also briefed on the Group's performance, position and prospects on a quarterly basis.

The Board reviews legislative and regulatory compliance reports from the management to ensure the Group complies with the relevant requirements. In line with the Listing Rules of SGX-ST, the Board provides a negative assurance statement to the shareholders in its quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The Company also observes obligations of continuing disclosure under the SGX-ST Listing Manual. The Company has received signed undertakings from all its Directors and executive officers based on the revised form of Appendix 7.7, pursuant to Rule 720(1) of the SGX-ST Listing Manual.

Shareholders are informed of the Group's quarterly and full year financial reports and other various disclosures of corporate developments in a timely manner through the announcements made to SGX-ST via SGXNET and the Company's website.

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

Audit Committee

The Audit Committee as at the date of this report comprises the following Directors:

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

The Audit Committee consists of 3 members, two of whom are Independent Directors and one Non-Executive Non-Independent Director. None of the Audit Committee members were previous partners or directors of the Company's external auditor, Messrs Ernst & Young LLP, within the last twelve months or hold any financial interest in the external auditor.

The Audit Committee has been set up to perform the functions required pursuant to Section 201B(5) of the Companies Act, the Listing Rules set out by SGX-ST and the Code. 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 is guided by its terms of reference, which are in line with the Code.

The Audit Committee meets at least four times a year 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. Changes to accounting standards which have a direct impact on financial statements will be highlighted to the Audit Committee from time to time by the external auditor.

CORPORATE GOVERNANCE

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 the full discretion to invite any Director and/or executive officer to attend its meetings. The Audit Committee also has full access to the external and internal auditors without the presence of the management of the Company as well as 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. A breakdown of the fees for audit and non-audit services paid to the auditors for the financial year ended 31 March 2018 are found on page 71 of this Annual Report.

The Audit Committee meets with the internal and external auditors at least once 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 Audit Committee keeps abreast of the changes to accounting standards and issues that may have a direct impact on the financial statements by referring to the best practices and guidance as well as reports issued from time to time from the relevant authorities and professionals. During the year, the Audit Committee was also briefed on the new accounting standards that might impact the Group's consolidated financial statements by the external auditors at the Audit Committee meetings.

In the review of the financial statements, the Audit Committee has discussed with management the significant accounting principles that were applied and their judgements and estimates of items that might affect the integrity of the financial statements. Following the review and discussions, the Audit Committee then recommended to the Board for approval of the financial statements. The following Key Audit Matters (KAMs) impacting the annual financial statements were discussed with management and the external auditor and were reviewed by the Audit Committee:

KAMs	**How the Audit Committee reviewed these KAMs and what decisions were made**
Impairment assessments of goodwill, property, plant and equipment and investment in subsidiaries	The Audit Committee reviewed the outcomes of the impairment assessments and had focused on the key assumptions applied in the determination of the value-in-use ("VIU") or fair values of the assets or the cash generating units ("CGUs"). The Audit Committee considered the findings of the external auditors, including their assessment of the valuation methodologies and the underlying assumptions applied in determination of the VIU or fair values of the assets or CGUs. The external auditor has included these items as key audit matters in its audit report for the financial year ended 31 March 2018. Refer to page 34 to 37 of this Annual Report. The Audit Committee is satisfied with the impairment review process, the approach and methodology used during the assessments.
Trade receivables and allowance for impairment of trade receivables	The Audit Committee reviewed and discussed the aging of trade receivables as well as the allowances for trade receivables on a quarterly basis with the management. The Audit Committee considered audit findings from the external auditors on their assessment of the recoverability on the receivables. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 March 2018. Refer to page 36 of this Annual Report. The Audit Committee is satisfied with the review process, the approach and the justification on the amount of impairment of the trade receivables.

CORPORATE GOVERNANCE

KAMs	How the Audit Committee reviewed these KAMs and what decisions were made
Recoverability of deferred tax assets ("DTA")	The Audit Committee reviewed the outcome of the assessment of recoverability of DTA and had focused on the key assumptions applied in the determination of availability of future taxable income. The Audit Committee considered the findings from the external auditors. Specifically, the Audit Committee evaluated the availability of other convincing evidence supporting the recognition of DTA when recent historical losses exist. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 March 2018. Refer to page 37 of this Annual Report. The Audit Committee is satisfied with the assessment and the justification on the amount of write-off during the year.

The Group adopts a bottom-up approach for the risk management process to address financial, operational, compliance and information technology risks. Business units implement appropriate risk management frameworks and have the 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 to ensure sufficient controls are in place to mitigate these risks affecting the Group.

The Audit Committee reviews the adequacy of the Company's internal controls including financial, operational, compliance and information technology controls and risk management policies and systems established by Management.

The Group outsources its internal audit function to Robert Tan & Co., a corporate member of the Institute of Internal Auditors Singapore. Reporting directly to the Audit Committee, the internal auditor plans the 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 approves the hiring, removal and evaluation of the internal auditor.

During the year under review, the Board and the Audit Committee have reviewed the adequacy and effectiveness of the Group's internal controls to address the Group's financial, operational, compliance and information technology risks. In addition, the Board also received assurances from the Group CEO and Group Financial Controller on the state of the Group's financial records, risk management and internal control systems, confirming that:

- the Group's financial records have been properly maintained and the financial statements for the year ended 31 March 2018 give a true and fair view of the Group's business operations and finances; and

- the Group's risk management systems and internal control systems in place are adequate and effective in addressing the material risks in the Group.

The Group CEO and Group Financial Controller have obtained similar assurance from the respective Managers of the various business units in the Group.

The Audit Committee has reviewed and is satisfied:

- with the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance, information technology 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.

CORPORATE GOVERNANCE

Based on the internal controls and risk management framework established and maintained by the management, review of work performed by the internal and external auditors, regular audits conducted by independent parties for industrial accreditation and customer quality controls and reviews performed by the management, the Board and the various Board Committees as well as the assurance from Group CEO and Group Financial Controller, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks that are material and relevant to the Group's operations were effective and adequate as at 31 March 2018.

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. In this regard, the Board also notes that no system of internal controls and risk management can provide absolute assurance against irregularities especially those arising from poor judgement in decision making, human error, losses and fraud.

The Company has in place a whistle-blowing policy where employees of the Group and other stakeholders 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 action, 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. There were no whistle-blowing reports received during the year under review.

The Audit Committee is satisfied that the Company has complied with Listing Rules 712 and 715 read with 716 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 Messrs Ernst & Young LLP as the external auditor of the Company for the financial year ending 31 March 2019.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14 : Shareholder Rights
Principle 15 : Communication with Shareholders
Principle 16 : Conduct of Shareholder Meetings

The Group is committed to treat all shareholders fairly and equitably to facilitate the exercise of the shareholders' ownership rights and continually review and update such governance arrangements. The Group strives for timeliness and transparency in its disclosures to the shareholders and the public and will continue to disseminate any price-sensitive information on a comprehensive, accurate and timely basis through SGX-ST via SGXNET. The Company does not practice selective disclosure of information. Such information will be simultaneously posted on our corporate website at www.mtq.com.sg and investor portal, www.shareinvestor.com. The Group has an internal investor relations team which contact and liaise with analysts and media upon release of its quarterly financial results. An investor relations email account, investorrelation@mtq.com.sg, has been set up to communicate with the analysts, media and shareholders.

Shareholders are invited to attend the general meetings to put forth any questions or share their views regarding the proposed resolutions and the Group's business and affairs. Shareholders are informed of shareholders' meetings through notices contained in annual reports and/or appendixes/circulars sent to all shareholders. In order to allow sufficient time for shareholders to review, the Annual Report FY2017/2018, together with the Appendix and notice of Annual General Meeting ("AGM"), are despatched to the Shareholders at least 28 days in advance before the scheduled AGM date. These notices are also published in the Business Times and posted onto the SGXNET.

If any shareholder is unable to attend, the Constitution of the Company has 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.

CORPORATE GOVERNANCE

An email account, lead_id@mtq.com.sg, addressed to the Lead Independent Director has been set up to communicate and solicit feedback from the shareholders.

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

With effect from FY2013/2014 AGM, the Company has put all resolutions to vote by electronic poll. An independent scrutineer firm is also present to validate the votes at each general meeting. Shareholders are allowed to vote in person or by proxy if they are unable to attend the Company's AGM. The Constitution of the Company allows a shareholder to appoint more than two proxies to attend and vote in the shareholder's place at the general meeting of shareholders. The proxy need not be a Member of the Company. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold SGX shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at each general meeting of shareholders. The detailed results of the electronic poll voting on each resolution tabled at the AGM, including the total number of votes cast for or against each resolution tabled, were announced immediately at the AGM and via SGXNET thereafter.

At general meetings, shareholders are given the opportunity to share their views and direct questions to the Board on any matter relating to the Group's business and operations. The Directors and Management are present at the general meeting to address shareholders' queries. The external auditors are also present at the AGM of the Company to address queries about the conduct of audit and the preparation and content of the Auditors' Report. The Company Secretary prepares minutes of general meetings, which incorporate substantial comments or queries from shareholders and responses from the Board and Management. These minutes are available to shareholders upon their request.

The Company does not have a stated dividend policy at present. The Board takes into consideration the Group's financial performance, cash position, cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate in considering the form, frequency and amount of dividend payments.

The Company did not declare any dividend during the financial year to the shareholders so as to conserve cash in this challenging market conditions.

DEALINGS 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.

The Directors and officers of the Company and its subsidiaries are notified and reminded on a quarterly basis to observe insider trading laws at all times and against dealing in securities when they are in possession of unpublished price sensitive information and on short-term considerations. They are also refrained from dealing in the Company's securities during the following window periods:

- the period commencing two weeks before the announcement of the Company's financial statements for the first, second and third quarters of its financial year; and

- the period commencing one month before the announcement of the Company's financial statements for its full financial year.

Each of the above window periods will end after the relevant results of the Company are announced.

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.

CORPORATE GOVERNANCE

MATERIAL CONTRACTS
(SGX-ST Listing Rule 1207(8))

Except as disclosed in the financial statements, there were 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 were no interested person transactions entered into by the Group in excess of S$100,000 during the year under review.

USE OF PROCEEDS FROM THE RIGHTS CUM WARRANTS ISSUE

The board of directors (the "Board") of MTQ Corporation Limited (the "Company") refers to the Company's announcements made on 30 January 2018, 5 March 2018, 14 March 2018, 26 March 2018, 17 April 2018, 18 April 2018 and 14 May 2018 as well as the offer information statement dated 23 March 2018 in relation to the Rights cum Warrants Issue (the "Offer Information Statement").

Unless otherwise defined, all capitalised terms and references used herein shall bear the same meaning ascribed to them in the Offer Information Statement. Any reference to a time of day and date herein shall be a reference to Singapore time and date, respectively, unless otherwise stated.

As at the date of this report, the net proceeds raised from the Rights cum Warrants Issue (the "Net Proceeds") is approximately S$12.0 million. The Board wishes to update Shareholders that a further S$1.7 million of the Net Proceeds has been utilised for working capital purposes including, *inter alia*, payments of trade and other payables, compliance costs, professional fees and staff costs.

Together with the S$1.2 million utilisation as announced on SGXNET on 14 May 2018, the Company has utilised S$2.9 million of the Net Proceeds.

The above utilisation of the Net Proceeds is consistent with the intended use of Net Proceeds disclosed in the Offer Information Statement.

The Board will make periodic announcements on the utilisation of the remaining S$9.1 million of the Net Proceeds as and when cash proceeds are materially disbursed.

20 June 2018

DIRECTORS' STATEMENT

The Directors are pleased to present their statement 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 2018.

Opinion of the Directors

In the opinion of the Directors,

(a) the accompanying consolidated statement of comprehensive income, balance sheets, 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 financial position of the Group and of the Company as at 31 March 2018 and the financial performance, 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.

Directors

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

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

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' STATEMENT

Directors' interests in shares 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 of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest			Deemed interest		
The Company	**At 1.4.2017**	**At 31.3.2018**	**At 21.4.2018**	**At 1.4.2017**	**At 31.3.2018**	**At 21.4.2018**
(Ordinary shares)						
Kuah Kok Kim	37,319,582	37,319,582	53,336,410	–	–	–
Kuah Boon Wee	4,522,322	4,522,322	7,669,539	–	–	–
Huang Yuan Chiang	157,320	157,320	273,030	–	–	–
Nicholas Campbell Cocks	–	–	–	230,800	230,800	637,659
(Warrants)[1]						
Kuah Kok Kim	–	–	4,004,207	–	–	–
Kuah Boon Wee	–	–	786,804	–	–	–
Huang Yuan Chiang	–	–	28,927	–	–	–
Nicholas Campbell Cocks	–	–	–	–	–	101,714

1 Pursuant to the Rights cum Warrants Issue, 15,451,245 free detachable warrants, each carrying the right to subscribe for 1 new ordinary share at an exercise price of S$0.22 for each Warrant Share were issued and listed on the Official List of the Singapore Exchange Securities Trading Limited on 18 April 2018 and 20 April 2018 respectively. The Warrants may be exercised at any time during the period commencing on and including the date of issue of the Warrants and expiring on the date immediately preceding five (5) years from the date of issue of the Warrants. The exercise price of the Warrants and the number of Warrants are fixed except for certain events pursuant to the terms and conditions of the Warrants set out in the Deed Poll. As at 21 April 2018, the exercise price of the Warrants was S$0.22 and a total of 15,451,245 Warrants remains outstanding.

Mr. Kuah Kok Kim is deemed to have an interest in shares of the Company's subsidiaries and joint venture by virtue of his interest in more than 20% of the issued share capital of the Company as at the end of the financial year.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants 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.

DIRECTORS' STATEMENT

Share Plan

(a) The Group has adopted a compensation scheme, known as the MTQ Share Plan (the "Share Plan"), approved by shareholders of the Company at an Extraordinary General Meeting held on 26 July 2013, to grant the right to receive fully paid ordinary shares ("Award"). The Share Plan, *inter alia*, allows for the participation of employees of the Group and employees of associated companies (a company as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST")) who meet the eligibility criteria, but does not include any controlling shareholders and their associates as defined in the Listing Manual of SGX-ST, nor the Non-Executive Directors.

The Share Plan is administered by the Remuneration Committee which comprises the following members:

Huang Yuan Chiang (Chairman)
Nicholas Campbell Cocks
Ong Eng Yaw

The selection of the participants in the Share Plan and the grant of Award are determined by the Remuneration Committee at its absolute discretion.

(b) The principal terms of the Share Plan are:

(i) ***Size and Duration***

The total number of new shares which may be delivered by the Company pursuant to the Awards granted under the Share Plan (the "New Shares") on any date, when added to the aggregate number of ordinary shares issued or issuable under any other share schemes which may be implemented by the Company, shall not exceed 15% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) on the date preceding the date of grant.

The Share Plan shall continue in force at the discretion of the Remuneration Committee subject to a maximum of 10 years commencing from the date it is adopted by the Company in general meeting, provided always that the Share Plan may continue beyond this stipulated period with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the Share Plan, any grant of Awards made pursuant to the Share Plan prior to such expiry or termination will continue to remain valid.

(ii) ***Eligibility to participate in the Share Plan***

Subject to the absolute discretion of the Remuneration Committee, the following persons, unless they are also non-executive directors, controlling shareholders and/or their associates (collectively known as the "Participants"), shall be eligible to participate in the Share Plan:

- employees of the Group who have attained the age of twenty-one years before the date of the Award and hold such rank as may be designated by the Remuneration Committee from time to time; and

- employees of associated companies who have attained the age of twenty-one years before the date of the Award and hold such rank as may be designated by the Remuneration Committee from time to time and who, in the opinion of the Remuneration Committee, have contributed to the success of the Group.

DIRECTORS' STATEMENT

Share Plan (cont'd)

(iii) ***Grant of Awards***

Awards under the Share Plan may be granted at any time during the period when the Share Plan is in force. The Remuneration Committee shall, in its absolute discretion, decide, in relation to each Award:

- the participants;
- the Award date;
- the number of fully paid ordinary shares which are the subject of the Award;
- the performance targets and the period during which the targets are to be satisfied;
- the extent to which the fully paid ordinary shares which are the subject of that Award shall be released on the prescribed performance targets being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period;
- the vesting date; and
- any other condition as the Remuneration Committee may determine.

The granted Awards may not be sold, transferred, mortgaged, charged, assigned, pledged, encumbered or otherwise disposed of, in whole or in part or in any way whatsoever, except with the prior approval of the Remuneration Committee and if a participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any such rights under an Award, that Award shall immediately lapse.

(iv) ***Operation of the Share Plan***

Subject to the prevailing legislation and the rules of the Listing Manual and such consents or other required action by any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to the compliance with the terms of the Share Plan and the Company's Constitution, the Company will have the flexibility to settle the Awards upon their vesting by way of:

- issuing new ordinary shares of the Company as fully paid;
- delivering existing ordinary shares (including, to the extent permitted by law, treasury shares); and/or
- paying the aggregate market price in cash in lieu of allotment or transfer of some or all of the new or existing ordinary shares.

(c) As at 31 March 2018, the aggregate number of shares comprised in Awards granted pursuant to the MTQ Share Plan which are not released amounted to 11,392 shares (31 March 2017: 113,831 shares). The movements in the number of shares comprised in Awards granted under the MTQ Share Plan are as follows:

	Number of shares				
Date of Grant	**At 1.4.2017**	**Granted**	**Released**	**Forfeited**	**At 31.3.2018**
26.8.2015	113,831	–	(98,208)	(4,231)	11,392

DIRECTORS' STATEMENT

Share Plan (cont'd)

(d) None of the Directors of the Company is a participant of the Share Plan since the commencement date to the end of the financial year ended 31 March 2018.

(e) No eligible participant has received shares pursuant to the release of Awards granted which, in aggregate, represents 5% or more of the aggregate of (i) the total number of the New Shares available under the Share Plan; and (ii) the total number of existing ordinary shares delivered pursuant to the settlement of the Awards under the Share Plan.

Audit Committee

As at the date of this report, 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 (the "Act"), 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 auditor's report on the annual financial statements of the Group and 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 Listing Manual of SGX-ST.

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

DIRECTORS' STATEMENT

Audit Committee (cont'd)

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 has recommended to the Board of Directors that the auditor, Ernst & Young LLP, be nominated for re-appointment as external auditor at the forthcoming Annual General Meeting of the Company.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance.

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
20 June 2018

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 March 2018

Independent auditor's report to the members of MTQ Corporation Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of MTQ Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 March 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<u>Impairment assessment of goodwill</u>

Management is required to test for goodwill impairment annually. During the financial year ended 31 March 2018, impairment loss of $5,545,000 was recorded on goodwill allocated to three cash-generating units ("CGUs"). As at 31 March 2018, the carrying amount of the Group's goodwill amounted to $4,560,000 and was allocated to one CGU.

In performing goodwill impairment testing, the recoverable amounts of the CGUs which the goodwill are allocated to were determined by management based on value-in-use calculations derived from cash flow projections. This area was significant to our audit because the assessment of recoverable amounts involve management exercising significant judgement and making assumptions about future market and economic conditions.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 March 2018

Independent auditor's report to the members of MTQ Corporation Limited

Key audit matters (cont'd)

<u>Impairment assessment of goodwill</u> (cont'd)

Our audit procedures included, amongst others, the following:

- We assessed the methodology and arithmetical accuracy of the value-in-use calculations.
- We considered the robustness of management's budgeting process by comparing the actual financials against previous forecast and projections.
- We evaluated the reasonableness of management's key assumptions, in particular, revenue, gross margin and long-term growth rates projections, to historical data and corroborated to external research on market outlook.
- We engaged the assistance of our internal valuation specialist to assess the reasonableness of the discount rates used by management.
- We performed sensitivity analysis on changes in these key assumptions to changes in the recoverable amounts of the goodwill.
- We also assessed the adequacy of the Group's disclosures in Note 9 to the consolidated financial statements.

<u>Impairment assessment of property, plant and equipment</u>

The carrying amount of the Group's property, plant and equipment as at 31 March 2018 amounted to $46,924,000.

The offshore marine market remains difficult with low demand, resulting in the deterioration of the Group's performance. This suggests that there are indicators of impairment of the Group's property, plant and equipment. Therefore, the Group's property, plant and equipment is subjected to impairment testing. This area was significant to our audit because the carrying amount of the property, plant and equipment represented 42% of the Group's total assets as at 31 March 2018 and the impairment assessments involved significant management's estimates.

The Group's key categories of property, plant and equipment are leasehold buildings amounting to $19,123,000, and plant, workshop, remotely operated vessels ("ROVs") and rental equipment amounting to $22,362,000.

(i) Leasehold buildings

Management engaged an independent valuer to determine the fair value less costs of disposal of the assets. Our audit procedures included, amongst others, the following:

- We evaluated the work of the independent valuer, considering the independence, reputation and competence of the independent valuer.
- We assessed the appropriateness of the valuation methodology used by the independent valuer.
- We assessed the reasonableness of the fair value of the leasehold buildings determined by the independent values by comparing to the relevant property price index movements in the market.

(ii) ROVs

The recoverable amounts of these assets were determined by management based on market comparable approach. Our audit procedures included, amongst others, the following:

- We assessed the credibility of the external platform where management sourced for market comparables.
- We considered the comparability of the Group's ROVs subjected to impairment testing to the ROVs listed in the external platform which management adopted as comparables.
- We reviewed the reasonableness of pricing information obtained from the external platform on the market comparables adopted by management.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 March 2018

Independent auditor's report to the members of MTQ Corporation Limited

Key audit matters (cont'd)

Impairment assessment of property, plant and equipment (cont'd)

(iii) Plant, workshop and rental equipment

The recoverable amounts of these assets were determined by management based on value-in-use calculations derived from cash flow projections. Our audit procedures included, amongst others, the following:

- We assessed the methodology and arithmetical accuracy of the value-in-use calculations.
- We considered the robustness of management's budgeting process by comparing the actual financials against previous forecast and projections.
- We evaluated the reasonableness of management's key assumptions, in particular, revenue and gross margin projections, to historical data and corroborated to industry research on market outlook.
- We engaged the assistance of our internal valuation specialist to assess the reasonableness of the discount rates used by management.
- We performed sensitivity analysis on changes in these key assumptions to changes in the recoverable amounts of these assets.
- We also assessed the adequacy of the Group's disclosures in Note 13 to the consolidated financial statements.

Trade receivables and allowance for impairment of trade receivables

The carrying amount of the Group's trade receivables of $25,509,000 as at 31 March 2018 were significant to the Group as they represented 47% of the Group's total current assets as at 31 March 2018.

The credit worthiness of customers may be impacted by the weakened economic conditions in the offshore marine industry. This may result in higher overdue trade receivables and greater collectability risks. As such, we determined the recoverability of trade receivables to be a key audit matter.

Our audit procedures included, amongst others, the following:

- We obtained an understanding of the credit policies and credit assessment procedures.
- We assessed the Group's processes and controls relating to the monitoring of trade receivables and considered aging to identify collection risks.
- We evaluated the adequacy of the allowance for impairment of trade receivables through the following:
  - Reviewed debtors aging report to identify any long overdue receivables and reviewed their historical pattern of settlement.
  - Inquired management if there are any known disputed receivables and discussed with management on the collectability of receivables and adequacy of allowance for impairment of trade receivables.
  - Reviewed the collectability of the trade receivables on a sampling basis by way of obtaining evidence of receipts subsequent to the balance sheet date from the customers.
- We also assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as credit risk in Notes 18 and 33 (a) to the consolidated financial statements respectively.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 March 2018

Independent auditor's report to the members of MTQ Corporation Limited

Key audit matters (cont'd)

Recoverability of deferred tax assets

During the financial year ended 31 March 2018, deferred tax assets ("DTA") amounting to $6,313,000 was written-off by the Group. The carrying amount of the Group's DTA as at 31 March 2018 amounted to $958,000, which mainly relates to tax losses carried forward. The testing for the recoverability of these assets was significant to our audit as the estimation of DTA involved significant management judgement given that it is dependent on management's forecast of the availability of taxable income.

Our audit procedures included, amongst others, the following:

- We assessed management's key assumptions used to determine the probability that DTA will be recovered based on management's expectation of taxable income in future years.
- We performed sensitivity analysis on management's key assumptions used to determine future taxable income.
- We corroborated these assumptions with supporting evidence such as comparison with historical actual results.
- Where recent history of losses exist, we considered the availability of other convincing evidence supporting the recognition of deferred tax assets.
- We also assessed the adequacy of the disclosures in Note 23 to the consolidated financial statements.

Impairment assessment of investment in subsidiaries (Company level)

During the financial year ended 31 March 2018, impairment loss on investment in subsidiaries of $5,400,000 was recorded at Company level. The carrying amount of the investment in subsidiaries as at 31 March 2018 amounted to $49,242,000. For subsidiaries with indicators of impairment, management estimated the recoverable amount of the investment using value-in-use calculations derived from cash flow projections. This area was significant to our audit because the assessment of recoverable amount involves management exercising significant judgement and making assumptions about future market and economic conditions.

Our audit procedures included, amongst others, the following:

- We evaluated management's assessment for indicators of impairment for investment in subsidiaries.
- For subsidiaries with indicators of impairment, we performed the same procedures as described above in key audit matter - Impairment assessment of goodwill.
- We also assessed the adequacy of disclosures in Note 14 to the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 March 2018

Independent auditor's report to the members of MTQ Corporation Limited

Responsibilities of management and directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 March 2018

Independent auditor's report to the members of MTQ Corporation Limited

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Seng Choon.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
20 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2018
(In Singapore dollars)

	Note	2018 $'000	2017 $'000
Continuing operations			
Revenue	3	111,866	130,361
Cost of sales		(94,631)	(107,076)
Gross profit		17,235	23,285
Other income	4	1,340	994
Staff costs		(19,976)	(23,554)
Other operating expenses		(21,741)	(20,036)
Loss from operating activities	5	(23,142)	(19,311)
Finance costs	6	(840)	(1,371)
Share of results of a joint venture company	15	(967)	93
Loss before taxation from continuing operations		(24,949)	(20,589)
Income tax (expense)/credit	7	(5,094)	1,385
Loss from continuing operations, net of tax		(30,043)	(19,204)
Discontinued operation:			
Profit from discontinued operation, net of tax	11	–	2,998
Loss for the year		(30,043)	(16,206)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of subsidiaries		(3,368)	2,140
Net loss on hedge of net investment in foreign operation		–	(585)
Net fair value loss on derivatives		(60)	(198)
Share of joint venture's (loss)/gain on remeasurement of employee benefits	15	(149)	53
Foreign currency translation reserve reclassified to profit or loss upon winding-up/disposal of a subsidiary		363	2,118
Other comprehensive income for the year, net of tax		(3,214)	3,528
Total comprehensive income for the year		(33,257)	(12,678)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2018
(In Singapore dollars)

	Note	2018 $'000	2017 $'000
Loss for the year		(30,043)	(16,206)
Attributable to:			
Owners of the Company			
Loss from continuing operations, net of tax		(27,782)	(18,131)
Profit from discontinued operation, net of tax		–	2,998
Loss for the year attributable to owners of the Company		(27,782)	(15,133)
Non-controlling interests		(2,261)	(1,073)
Loss for the year		(30,043)	(16,206)
Total comprehensive income for the year		(33,257)	(12,678)
Attributable to:			
Owners of the Company			
Total comprehensive income from continuing operations, net of tax		(30,734)	(17,149)
Total comprehensive income from discontinued operation, net of tax		–	5,477
Total comprehensive income attributable to owners of the Company		(30,734)	(11,672)
Non-controlling interests		(2,523)	(1,006)
Total comprehensive income for the year		(33,257)	(12,678)
Basic and diluted (loss)/earnings per share attributable to owners of the Company (Cents per share)			
From continuing operations	8 (a)	(17.98)	(11.74)
From discontinued operation	11	–	1.94
Total loss per share	8 (b)	(17.98)	(9.80)

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

BALANCE SHEETS

As at 31 March 2018
(In Singapore dollars)

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Non-current assets					
Goodwill	9	4,560	10,451	–	–
Intangible assets	10	380	102	–	–
Investment property	12	–	–	850	897
Property, plant and equipment	13	46,924	54,694	76	176
Investment in subsidiaries	14	–	–	49,242	59,189
Investment in joint ventures	15	1,808	1,108	1,808	–
Other investment		114	114	114	114
Receivables	16	2,388	2,440	65,182	53,892
Prepayments	16	25	7	25	–
Deferred tax assets	23	958	7,089	–	–
		57,157	76,005	117,297	114,268
Current assets					
Inventories	17	14,733	14,966	–	–
Trade and other receivables	18	26,378	46,878	14,085	20,328
Prepayments	16	1,607	2,541	89	94
Tax recoverable		502	–	6	–
Cash and cash equivalents	19	10,759	31,408	331	10,987
		53,979	95,793	14,511	31,409
Current liabilities					
Trade and other payables	20	19,060	26,017	3,026	1,383
Finance lease payable	21	204	331	–	–
Bank borrowings	22	981	3,190	981	1,044
Provisions	24	355	444	–	–
Provision for taxation		429	518	–	–
		21,029	30,500	4,007	2,427
Net current assets		32,950	65,293	10,504	28,982
Non-current liabilities					
Trade and other payables	20	250	309	2,629	7,169
Finance lease payable	21	32	498	–	–
Bank borrowings	22	21,417	37,722	12,285	12,311
Deferred tax liabilities	23	604	1,407	53	55
Provisions	24	1,114	1,390	84	82
		23,417	41,326	15,051	19,617
Net assets		66,690	99,972	112,750	123,633
Equity attributable to owners of the Company					
Share capital	25	36,807	36,807	36,807	36,807
Treasury shares	25	(3)	(4)	(3)	(4)
Reserves	26	26,382	57,142	75,946	86,830
Shareholders' funds		63,186	93,945	112,750	123,633
Non-controlling interests		3,504	6,027	–	–
Total equity		66,690	99,972	112,750	123,633

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 2018
(In Singapore dollars)

Group	Note	Share capital	Treasury shares	Foreign currency translation reserve	Retained earnings	Other reserves	Share-holders' funds	Non-controlling interests	Total equity
		Attributable to owners of the Company							
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 April 2016		36,807	(116)	(4,997)	72,155	1,815	105,664	7,710	113,374
Loss for the year, net of tax		–	–	–	(15,133)	–	(15,133)	(1,073)	(16,206)
Exchange difference on translation of subsidiaries		–	–	2,047	–	–	2,047	93	2,140
Reclassification to profit or loss on disposal of a subsidiary	11	–	–	2,118	–	–	2,118	–	2,118
Net loss on hedge of net investment in foreign operation		–	–	(585)	–	–	(585)	–	(585)
Net fair value loss on derivatives		–	–	–	–	(172)	(172)	(26)	(198)
Share of joint venture's gain on remeasurement of employee benefits		–	–	–	–	53	53	–	53
Total comprehensive income for the year		–	–	3,580	(15,133)	(119)	(11,672)	(1,006)	(12,678)
Dividends paid by a subsidiary to non-controlling interests		–	–	–	–	–	–	(677)	(677)
Transfer of treasury shares pursuant to MTQ Share Plan	25	–	168	–	–	(168)	–	–	–
Employee equity benefits expense		–	–	–	–	9	9	–	9
Share buy-back	25	–	(56)	–	–	–	(56)	–	(56)
Total contributions by and distributions to owners		–	112	–	–	(159)	(47)	(677)	(724)
Balance as at 31 March 2017		36,807	(4)	(1,417)	57,022	1,537	93,945	6,027	99,972

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 2018
(In Singapore dollars)

		Attributable to owners of the Company							
Group	**Note**	**Share capital**	**Treasury shares**	**Foreign currency translation reserve**	**Retained earnings**	**Other reserves**	**Share-holders' funds**	**Non-controlling interests**	**Total equity**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance as at 1 April 2017		36,807	(4)	(1,417)	57,022	1,537	93,945	6,027	99,972
Loss for the year, net of tax		–	–	–	(27,782)	–	(27,782)	(2,261)	(30,043)
Exchange difference on translation of subsidiaries		–	–	(3,114)	–	–	(3,114)	(254)	(3,368)
Reclassification to profit or loss on winding-up of a subsidiary		–	–	363	–	–	363	–	363
Net fair value loss on derivatives		–	–	–	–	(52)	(52)	(8)	(60)
Share of joint venture's loss on remeasurement of employee benefits		–	–	–	–	(149)	(149)	–	(149)
Total comprehensive income for the year		–	–	(2,751)	(27,782)	(201)	(30,734)	(2,523)	(33,257)
Transfer of treasury shares pursuant to MTQ Share Plan	25	–	38	–	–	(38)	–	–	–
Employee equity benefits expense		–	–	–	–	12	12	–	12
Share buy-back	25	–	(37)	–	–	–	(37)	–	(37)
Total contributions by and distributions to owners		–	1	–	–	(26)	(25)	–	(25)
Balance as at 31 March 2018		36,807	(3)	(4,168)	29,240	1,310	63,186	3,504	66,690

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 2018
(In Singapore dollars)

Company	Note	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Other reserves $'000	Total equity $'000
Balance as at 1 April 2016		36,807	(116)	57,685	2,749	97,125
Profit for the year, net of tax		–	–	26,603	–	26,603
Total comprehensive income for the year		–	–	26,603	–	26,603
Employee equity benefits expense		–	–	–	(39)	(39)
Share buy-back	25	–	(56)	–	–	(56)
Transfer of treasury shares pursuant to MTQ Share Plan	25	–	168	–	(168)	–
Total contributions by and distributions to owners		–	112	–	(207)	(95)
Balance as at 31 March 2017		36,807	(4)	84,288	2,542	123,633
Balance as at 1 April 2017		36,807	(4)	84,288	2,542	123,633
Loss for the year, net of tax		–	–	(10,858)	–	(10,858)
Total comprehensive income for the year		–	–	(10,858)	–	(10,858)
Employee equity benefits expense		–	–	–	12	12
Share buy-back	25	–	(37)	–	–	(37)
Transfer of treasury shares pursuant to MTQ Share Plan	25	–	38	–	(38)	–
Total contributions by and distributions to owners		–	1	–	(26)	(25)
Balance as at 31 March 2018		36,807	(3)	73,430	2,516	112,750

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 2018
(In Singapore dollars)

	Note	2018 $'000	2017 $'000
Cash flows from operating activities:			
Loss before taxation from continuing operations		(24,949)	(20,589)
Profit before taxation from discontinued operation	11	–	3,538
Loss before taxation		(24,949)	(17,051)
Adjustments for:			
Depreciation of property, plant and equipment	13	7,938	9,215
Amortisation of intangible assets	10	102	53
Gain on disposal of property, plant and equipment	4	(298)	(81)
Gain on disposal of a subsidiary	11	–	(1,449)
Loss on winding-up of a subsidiary	5	362	–
Allowance for impairment of trade receivables	5	923	961
Bad debts written-off, net	5	–	37
(Reversal of allowance)/allowance for inventory obsolescence	5,17	(293)	628
Fixed assets written-off	5	–	262
Employee equity benefits expense	5	11	2
Interest income	4	(44)	(119)
Interest expense	6	840	1,438
Share of results of a joint venture company	15	967	(93)
Impairment of goodwill	5,9	5,545	–
Provisions made during the year	24	139	937
Operating cash flows before changes in working capital		(8,757)	(5,260)
Decrease in receivables and prepayments		10,649	10,933
Decrease in inventories and work-in-progress		445	227
Decrease in payables		(7,476)	(2,859)
Currency realignment		(1,059)	121
Cash (used in)/generated from operations		(6,198)	3,162
Interest income received		44	119
Interest expense paid		(858)	(1,441)
Income taxes paid, net		(259)	(1,650)
Net cash (used in)/generated from operating activities		(7,271)	190

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 2018
(In Singapore dollars)

	Note	2018 $'000	2017 $'000
Cash flows from investing activities:			
Purchase of property, plant and equipment		(2,207)	(1,516)
Addition of intangible assets		(384)	–
Acquisition of a joint venture		(1,808)	–
Proceeds from disposal of property, plant and equipment		454	429
Proceeds from disposal of a subsidiary, net of cash disposed and transaction costs	11	9,513	11,408
Other investment		–	(114)
Loans to joint venture		(6)	–
Loans granted to staff		(32)	(60)
Loans repaid by staff		161	60
Net cash generated from investing activities		5,691	10,207
Cash flows from financing activities:			
Dividends paid by a subsidiary to non-controlling interests		–	(677)
Proceeds from bank borrowings		1,400	700
Repayment of bank borrowings		(19,168)	(4,551)
Repayment of finance lease payable		(570)	(245)
Shares buy-back	25	(37)	(56)
Net cash used in financing activities		(18,375)	(4,829)
Net (decrease)/increase in cash and cash equivalents		(19,955)	5,568
Cash and cash equivalents at 1 April	19	31,408	24,967
Effect of exchange rate changes on cash and cash equivalents		(694)	873
Cash and cash equivalents at 31 March	19	10,759	31,408

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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) except when otherwise indicated.

<u>Convergence with International Financial Reporting Standards</u>

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 April 2018.

The Group has performed a preliminary impact of adopting SFRS (I) based on currently available information. This assessment may be subject to changes arising from ongoing analysis.

SFRS (I) 15 and SFRS (I) 9

The Group expects the impact of adopting SFRS (I) 15 and SFRS (I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 2.3.

Foreign currency translation reserve

On transition to the new financial reporting framework, the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 April 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 April 2017. The Group expects to reclassify an accumulated amount of $1,417,000 of foreign currency translation loss to the opening retained earnings as at 1 April 2017.

Other than the effects of the matter as described above and the adoption of the new standards that are effective on 1 April 2018, the Group expects that the adoption of the new financial reporting framework will have no material impact on the financial statements in the year of initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

2.2 Changes in accounting policies and estimates

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 which are effective for annual financial periods beginning on or after 1 April 2017, including the Amendments to FRS 7 Disclosure Initiative. 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 applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 102 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 40 Transfers of Investment Property	1 January 2018
FRS 109 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116 Leases	1 January 2019
Improvements to FRSs (December 2016)	
Amendments to FRS 28 Investments in Associates and Joint Ventures	1 January 2018
INT FRS 122 Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to FRS 109 Prepayment Features with Negative Compensation	1 January 2019
Amendments to FRS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Improvements to FRSs (March 2018)	
Amendments to FRS 103 Business Combinations	1 January 2019
Amendments to FRS 111 Joint Arrangements	1 January 2019
Amendments to FRS 12 Income Taxes	1 January 2019
Amendments to FRS 23 Borrowing Costs	1 January 2019
Amendments to FRS 110 & FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

As disclosed in Note 2.1, the Group will adopt SFRS (I) on 1 April 2018. Upon adoption of SFRS (I) on 1 April 2018, the SFRS (I) equivalent of the above standards that are effective on 1 April 2018 will be adopted at the same time.

Except for SFRS (I) 9, SFRS (I) 15 and SFRS (I) 16, the directors expect that the adoption of the SFRS (I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS (I) 9, SFRS (I) 15 and SFRS (I) 16 are described below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

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

SFRS (I) 9 Financial Instruments

SFRS (I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS 9 (I) are based on an expected credit loss model and replace the IAS 39 incurred loss model.

The Group plans to adopt SFRS (I) 9 on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting SFRS (I) 9 based on the information available as at 31 March 2018, and does not expect any significant impact based on that assessment. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts SFRS (I) 9 in 2018.

SFRS (I) 15 Revenue from Contracts with Customers

SFRS (I) 15 establishes a five-step model that will apply to revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS (I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group plans to adopt SFRS (I) 15 on the required effective date and plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. The Group has performed a preliminary impact assessment of adopting SFRS (I) 15 based on the information available as at 31 March 2018, and does not expect any significant impact based on that assessment. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS (I) 15 in 2018.

SFRS (I) 16 Leases

SFRS (I) 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in a significant increase in total assets and total liabilities, earnings before interest, tax, depreciation and amortisation ("EBITDA") and gearing ratio.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

2.4 Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, 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. 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) Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

<u>Impairment of financial assets</u>

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 debtors and default or significant delay in payments. Further details on the carrying amounts of the Group's trade receivables balances are disclosed in Note 18.

<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.

(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 are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

<u>Impairment of goodwill</u>

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. The carrying amounts of goodwill and key assumptions applied in the determination of the value-in-use including sensitivity analysis are disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

2.4 Significant accounting estimates and judgements (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

Impairment of property, plant and equipment

For assets with indicators of impairment, management determines the recoverable amount of the assets based on fair value less costs to sell for leasehold buildings and remotely operated vessels and value-in-use calculations for plant, workshop and rental equipment. The fair values of the Group's leasehold buildings are determined by accredited independent valuers using recognised valuation techniques which comprise recent sales of similar assets, income approach and replacement cost approach. The fair values of the Group's remotely operated vessels are determined by management based on market comparable approach. The value-in-use calculations for plant, workshop and rental equipment are based on cash flow projections and they requires management's assumptions regarding revenue and gross margins.

Recoverability of deferred tax assets

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 judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies.

The carrying amounts of the Group's deferred tax assets, deferred tax liabilities, tax recoverable and provision for taxation as at 31 March 2018 amounted to $958,000 (2017: $7,089,000), $604,000 (2017: $1,407,000), $502,000 (2017: $Nil) and $429,000 (2017: $518,000) respectively. The carrying amounts of the Company's deferred tax liabilities and tax recoverable as at 31 March 2018 amounted to $53,000 (2017: $55,000) and $6,000 (2017: $Nil) respectively.

Impairment of investment in subsidiaries (Company level)

For investment in subsidiaries with indicators of impairment, management determines the recoverable amount of the investment using the value-in-use calculations derived from cash flow projections of the subsidiaries. The key assumptions applied in the determination of the value-in-use for the investment in subsidiaries are disclosed in Note 14.

2.5 Foreign currency

The 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 measured.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

(In Singapore dollars)

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

2.5 Foreign currency (cont'd)

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into Singapore dollars 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.

2.6 Basis of consolidation and business combinations

(a) *Basis of consolidation*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

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

(b) *Business combinations and goodwill*

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.

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 profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, 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. Other components of non-controlling interests are measured at their acquisition date at fair value, unless another measurement basis is required by another FRS.

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.

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 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 units to which goodwill have 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.

2.7 Transactions with non-controlling interests

Non-controlling interests represents the equity in subsidiaries not attributable, directly or indirectly, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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, regardless of when the payment is made. 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 following specific recognition criteria must also be met before revenue is recognised:

Trading sales

Revenue from trading sales is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, usually on 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.

Services, repair and contract revenue

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 labour hours and costs incurred to-date to the estimated total labour hours and 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.

Rental income

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

License fee income

License fee income 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

Interest income is recognised using the effective interest method.

Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

2.9 Employee benefits (cont'd)

Employee leave entitlements

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

Equity compensation plan

Employees of the Group receive remuneration in the form of share-based payment transactions as consideration for services rendered.

The cost of equity-settled share-based payment transactions with employees is measured by reference to the fair value of the equity-settled awards at the date on which the awards 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 awards 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 is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for awards 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 awards 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 awards. The employee equity benefit reserve is transferred to share capital if new shares are issued to settle the awards, or to treasury shares if awards are satisfied by the reissuance of treasury shares. When the equity-settled awards issued by subsidiaries are exercised, the employee equity benefit reserve is transferred to non-controlling interests.

2.10 Leases

As lessee

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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 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 and interests in joint ventures, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

2.12 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 and interests in joint ventures, 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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 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 units to which goodwill have 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 dollars 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. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

2.13 Intangible assets (cont'd)

(b) *Other intangible assets (cont'd)*

Customer relationships

Customer relationships acquired are initially recognised at cost and amortised on a straight-line basis over its estimated finite useful life of 5 years.

Software

Software acquired are initially recognised at cost and amortised on a straight-line basis over its estimated finite useful life of 5 years.

Other intangible assets

Costs relating to welding procedures specifications and designed packages are capitalized and amortised on a straight-line basis over its estimated finite useful life of 3 years.

2.14 Investment properties

Investment properties are held by the Company 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. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

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.

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 are 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

2.15 Property, plant and equipment (cont'd)

Depreciation is computed on a straight-line basis or a diminishing value basis over the estimated useful lives of the assets as follows:

Leasehold buildings	–	the remaining lease terms of 27 to 57 years at the time of acquisition
Plant, workshop and rental equipment	–	2 to 20 years
Furniture and fixtures	–	2 to 20 years
Motor vehicles	–	3 to 10 years
Office equipment	–	1 to 5 years
Remotely operated vehicles (ROV) and vessels	–	6 to 20 years

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

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 de-recognised 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 investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.17 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

(In Singapore dollars)

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

2.18 Joint venture

The Group recognises its interest in the joint venture using the equity method from the date on which it becomes a joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The profit or loss reflects the share of results of the operations of the joint venture. Distributions received from the joint venture reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

When the Group's share of losses exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

After the application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint venture used in applying the equity method are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.19 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 of disposal 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 post-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 of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

2.19 Impairment of non-financial assets (cont'd)

Impairment losses of continuing operations are recognised in profit or loss.

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.

2.20 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 pipe supports and pipe suspensions, 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.

2.21 Financial instruments

(a) Financial assets

<u>Initial recognition and measurement</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

2.21 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

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

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

Financial assets at fair value through profit or loss include financial assets held for trading. 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.

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 and interest.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

(ii) 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.

De-recognition

A financial asset is de-recognised 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.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or de-recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

2.21 Financial instruments (cont'd)

(b) 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 financial liabilities that are not at fair value through profit or loss, plus directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest 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 and bank borrowings.

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.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

2.22 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 asset 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.

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.

2.23 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

2.24 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.

2.25 Dividend

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

2.26 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.

2.27 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, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.28 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 net investments in foreign operations, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

2.29 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.

2.30 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.

2.31 Government grants

Government grants are recognised when 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 grants are 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 are presented as a credit in profit or loss, under "Other income".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

2.32 Discontinued operation

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

In profit or loss of the comparative period of the previous year, all income and expenses from discontinued operation are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in profit or loss. Consequently, certain comparative figures were re-presented to reflect the financial effect of excluding the "discontinued operation".

3. Revenue

	Group	
	2018	2017
	$'000	$'000
Services, repair and contract revenue	97,852	114,353
Trading sales	11,902	14,485
Equipment rental income	2,112	1,523
	111,866	130,361

4. Other income

	Group	
	2018	2017
	$'000	$'000
Interest income	44	106
Gain on disposal of property, plant and equipment	298	61
Commission received	14	47
Gain on disposal of scrap material	95	80
Government grants	446	274
Insurance claims	357	172
Others	86	254
	1,340	994

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

5. Loss from operating activities

Loss from operating activities is stated after charging the following:

	Group 2018 $'000	Group 2017 $'000
(a) Manpower costs		
(i) Amounts recognised in profit or loss		
Salaries, wages and bonuses	44,149	49,757
Defined contribution plan expense	4,075	4,351
Employee equity benefits expense	11	2
Others	3,039	3,292
	51,274	57,402
Included in cost of sales	31,298	33,848
Included in staff costs	19,976	23,554
	51,274	57,402

Employee equity benefits expense recognised in staff costs may not be indicative of the actual vesting value of the shares at vesting dates, which are subject to pre-determined performance targets or vesting conditions.

(ii) Amounts paid during the financial year

The amounts paid to a director and key management personnel during financial years ended 31 March 2018 and 31 March 2017 are as follows:

	Group 2018 $'000	Group 2017 $'000
Director's remuneration:		
- Salaries, wages and bonuses*	584	379
- Defined contribution plan expense	17	17
- Others	18	27
	619	423
Other key management personnel:		
- Salaries, wages and bonuses	1,908	1,985
- Defined contribution plan expense	169	180
- Others	561	617
	2,638	2,782

* This included an amount of $222,000 deferred bonuses, which were awarded for financial years ended 31 March 2014 and 2015's performances, paid out during the financial year ended 31 March 2018. The remaining unpaid balance of $288,000 has been relinquished subsequent to year end.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

5. Loss from operating activities (cont'd)

(a) Manpower costs (cont'd)

(ii) Amounts paid during the financial year (cont'd)

During the year, the Company transferred treasury shares to certain key management personnel pursuant to the vesting of Awards granted under the MTQ Share Plan (Note 31(a)). The aggregate grant date fair values of the tranches of the Awards that were vested and released to key management personnel during the financial year amounted to $55,000 (2017: $307,000).

	Note	Group 2018 $'000	Group 2017 $'000
(b) Other operating expenses			
Allowance for impairment of trade receivables		923	957
Bad debts written-off, net		–	37
Amortisation of intangible assets	10	102	53
Fixed assets written-off		–	262
Impairment of goodwill	9	5,545	–
Depreciation of property, plant and equipment		1,245	1,379
Directors' fees paid to Directors of the Company		262	262
(Reversal of allowance)/allowance for inventory obsolescence		(293)	533
Loss on foreign exchange		9	66
Consultancy fees paid to a Director of the Company		154	165
Legal and professional fees		1,432	1,519
Non-audit fees to:			
- Auditors of the Company		59	50
Audit fees to:			
- Auditors of the Company		355	378
- Auditors of subsidiaries		404	438
Loss on winding-up of a subsidiary		362	–
Utilities expenses		1,452	1,474
Operating lease expenses		3,203	4,483
(c) Cost of sales			
Operating lease expenses		5,735	5,399
Depreciation of property, plant and equipment		6,693	7,485

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

6. Finance costs

	Group	
	2018	**2017**
	$'000	**$'000**
Interests on:		
- Bank loans	826	1,353
- Finance leases	12	16
- Others	2	2
	840	1,371

7. Income tax expense/(credit)

(a) *Major components of income tax expense/(credit) for the years ended 31 March are as follows:*

	Group	
	2018	**2017**
	$'000	**$'000**
Consolidated statement of comprehensive income		
Current income tax from continuing operations		
- Current income tax	180	227
- Over provision in respect of previous years	(596)	(1,803)
- Withholding tax expense	339	129
	(77)	(1,447)
Deferred income tax from continuing operations		
- Movement in temporary differences	(1,439)	(314)
- Write-off of deferred tax assets	6,313	–
- Under provision in respect of previous years	297	376
	5,171	62
Income tax expense/(credit) attributable to continuing operations	5,094	(1,385)
Income tax expense attributable to discontinued operation (Note 11)	–	540
Income tax expense/(credit) recognised in statement of comprehensive income	5,094	(845)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

(In Singapore dollars)

7. Income tax expense/(credit) (cont'd)

(b) Relationship between income tax expense/(credit) and accounting loss

A reconciliation between income tax expense/(credit) and the product of accounting loss multiplied by the applicable corporate tax rate for the financial years ended 31 March is as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Loss before taxation from continuing operations	(24,949)	(20,589)
Profit before taxation from discontinued operation	–	3,538
Accounting loss before taxation	(24,949)	(17,051)
Tax at Singapore statutory tax rate of 17% (2017: 17%)	(4,241)	(2,899)
Effect of difference in effective tax rates of other countries	(1,530)	(1,547)
Non-deductible expenses	3,003	1,203
Income not subject to taxation	(122)	(1,379)
Effect of partial tax exemption and tax incentives	(29)	(97)
Deferred tax assets not recognised	1,900	5,255
(Over)/under provision in respect of previous years		
- current tax	(596)	(1,803)
- deferred tax	297	376
Write-off of deferred tax assets	6,313	–
Withholding tax expense	339	129
Others	(240)	(83)
Income tax expense/(credit) recognised in statement of comprehensive income	5,094	(845)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

8. Loss per share

(a) Continuing operations

Basic and diluted loss per share from continuing operations are calculated by dividing loss from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year. Potential ordinary shares that would be issued upon under the MTQ Share Plan are excluded from the calculation of diluted loss per share from continuing operations due to its anti-dilutive effect.

The following tables reflect the (loss)/profit and share data used in the computation of basic and diluted loss per share for the financial years ended 31 March:

		Group	
	Note	**2018**	**2017**
		$'000	**$'000**
Loss for the year attributable to owners of the Company		(27,782)	(15,133)
Less: Profit from discontinued operation, net of tax, attributable to owners of the Company	11	–	(2,998)
Loss from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic and diluted loss per share from continuing operations		(27,782)	(18,131)

	Number of shares	
	2018	**2017**
	'000	**'000**
Weighted average number of ordinary shares for basic and diluted earnings per share computation*	154,510	154,445

* The weighted average number of shares took into account the weighted average effect of the following treasury shares transactions during the year:

a) 100,000 (2017: 130,000) ordinary shares that the Company bought back (Note 25)

b) 98,208 (2017: 271,840) ordinary shares that the Company transferred to the participants of the MTQ Share Plan (Note 25)

(b) Loss per share computation

The basic and diluted loss per share are calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic and diluted loss per share computation. These loss and share data are presented in the tables in Note 8 (a) above.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

9. Goodwill

	Note	Group $'000
At 1 April 2016		15,488
Disposal of a subsidiary	11	(5,400)
Currency realignment		363
At 31 March 2017		10,451
At 1 April 2017		10,451
Impairment of goodwill	5	(5,545)
Currency realignment		(346)
At 31 March 2018		4,560

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to four (2017: four) cash-generating units (CGUs) for impairment testing as follows:

- Premier Group
- Neptune
    - Asset Integrity
    - Engineering UK
    - Diving

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

	Group 2018 $'000	Group 2017 $'000
Premier Group	4,560	4,560
Neptune		
- Asset integrity	–	1,450
- Engineering UK	–	1,554
- Diving	–	2,887
	4,560	10,451

The recoverable amounts of the CGUs are determined based on value-in-use calculations derived from cash flow projections covering a five-year period. The terminal value of the CGUs at the end of the five-year period were estimated by extrapolating the projected cash flows in the 5th year through perpetuity using a long-term growth rate applicable to each CGU.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

9. Goodwill (cont'd)

Impairment testing of goodwill (cont'd)

Key assumptions used in the value-in-use calculations

Key assumptions used in the value-in-use calculations are as follows:

Revenue and gross margin projections

Projections for the first year are derived from financial budgets for the year ending 31 March 2019. Projections for a further 4 years are extrapolated using growth rates ranging from 1.5% to 43.0% (2017: 2.0% to 50.0%) for revenue with corresponding gross margins ranging from 19% to 34% (2017: 21% to 25%). The revenue growth rates are determined based on management's knowledge and past experience of the businesses, taking into consideration the expected medium to long-term market outlook.

Long-term growth rates

The long-term growth rates ranges from 1.5% to 3.0% (2017: 2.0 % to 3.0%) per annum and are derived by reference to the estimated long-term inflation rate of the markets relevant to the CGUs.

Discount rates

Discount rates ranging from 8.9% to 11.8% (2017: 9.4% to 11.4%) per annum have been applied to discount the projected cash flows. The discount rates are based on post-tax weighted average cost of capital (WACC) applicable to the respective CGUs and represent the current market assessment of the CGU-specific risks, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

Sensitivity to changes in assumptions

The Group believes that any reasonably possible change in the above key assumptions are not likely to cause any of the recoverable amount of the CGU to be materially lower than the related carrying amount.

Impairment loss recognised

Based on the impairment assessment, impairment loss of $5,545,000 was recognised to fully write-down the carrying amount of goodwill allocated to the 3 CGUs under Neptune.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

10. Intangible assets

	Customer relationships $'000	Software $'000	Other intangible assets $'000	Total $'000
Cost:				
At 1 April 2016	302	304	–	606
Currency realignment	11	12	–	23
At 31 March 2017 and 1 April 2017	313	316	–	629
Additions	–	–	384	384
Currency realignment	(19)	(19)	–	(38)
Write-offs	(294)	–	–	(294)
At 31 March 2018	–	297	384	681
Accumulated amortisation:				
At 1 April 2016	302	156	–	458
Amortisation for the year	–	53	–	53
Currency realignment	11	5	–	16
At 31 March 2017 and 1 April 2017	313	214	–	527
Amortisation for the year	–	39	63	102
Currency realignment	(19)	(13)	(2)	(34)
Write-offs	(294)	–	–	(294)
At 31 March 2018	–	240	61	301
Net carrying amount:				
At 31 March 2018	–	57	323	380
At 31 March 2017	–	102	–	102

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

11. Discontinued operation

During the financial year ended 31 March 2017, the Group completed its disposal of a subsidiary, MTQ Engine Systems (Aust) Pty Ltd ("MTQES"). As a result, the income and expenses of MTQES are presented separately in the consolidated statement of comprehensive income as "Profit from discontinued operation, net of tax" for the year ended 31 March 2017.

The summarised financial information of the discontinued operation is as follows:

Income statement disclosures

	2017
	$'000
Revenue	26,858
Cost of sales	(16,991)
Gross profit	9,867
Other income	33
Staff costs	(4,649)
Other operating expenses	(3,095)
Profit from operating activities	2,156
Finance costs	(67)
Gain on disposal of subsidiary	1,449
Profit before taxation	3,538
Income tax expense (Note 7)	(540)
Profit from discontinued operation, net of tax	2,998

Cash flow statement disclosures

	2017
	$'000
Operating	377
Investing	(115)
Financing	(2,910)
Net cash outflows	(2,648)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

11. Discontinued operation (cont'd)

The effects of disposal of the subsidiary on the financial statements of the Group are as follows:

	Note	2017 $'000
Goodwill	9	5,400
Property, plant and equipment	13	2,251
Deferred tax assets	23	1,486
Inventories		9,789
Trade and other receivables		4,979
Cash and short-term deposits		1,178
Trade and other payables		(4,065)
Finance lease payable		(359)
Provisions	24	(2,197)
Income tax provision		(91)
Net assets disposed		18,371
Realisation of foreign currency translation reserve		2,118
Disposal transaction costs		99
Gain on disposal of subsidiary		1,449
Sale consideration		22,037
Sale consideration		22,037
Disposal transaction costs		(99)
Consideration receivable as at 31 March 2017		(9,352)
Net cash received		12,586
Cash and cash equivalents of the subsidiary disposed		(1,178)
Net cash inflow from disposal of the subsidiary		11,408

	2018 $'000
Consideration receivable as at 31 March 2017	9,352
Gain on foreign exchange	161
Consideration received in 2018	9,513

Earnings per share disclosures

The information on earnings per share from discontinued operation is as follows:

	2017
Earnings per share from discontinued operation attributable to owners of the Company (cents per share)	
Basic and diluted	1.94

The basic and diluted earnings per share from discontinued operation are calculated by dividing the profit from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic and diluted earnings per share computation. These earnings and share data are in the tables in Note 8.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

12. Investment property

	Company
	$'000
Balance sheet:	
Cost	
At 1 April 2016, 31 March 2017 and 31 March 2018	7,310
Accumulated depreciation	
At 1 April 2016	6,366
Depreciation	47
At 31 March 2017 and 1 April 2017	6,413
Depreciation	47
At 31 March 2018	6,460
Net carrying amount	
At 31 March 2018	850
At 31 March 2017	897

	Company	
	2018	2017
	$'000	$'000
Statement of comprehensive income:		
Rental income from investment property charged to subsidiaries	1,106	1,167
Direct operating expenses (including repairs and maintenance) arising from rental generating properties	1,042	1,119

The fair value of the investment property held by the Company as at 31 March 2018 amounted to $6,650,000 (2017: $6,850,000). The fair value was based on valuation performed by an accredited independent valuer with recognised and relevant professional qualification and with recent experience in the location and category of the property being valued. The valuations were arrived after taking into account comparisons with recent sales of similar properties within the vicinity.

The investment property held by the Company as at 31 March 2018 is as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

13. Property, plant and equipment

Group	Note	Leasehold buildings	Plant, workshop, ROVs, vessels and rental equipment	Furniture and fixtures, office equipment and motor vehicles	Assets under construction	Total
		$'000	$'000	$'000	$'000	$'000
Cost						
At 1 April 2016		29,491	90,003	18,744	743	138,981
Currency realignment		549	997	337	21	1,904
Additions		–	430	408	1,360	2,198
Disposals/write-offs		–	(5,688)	(1,235)	–	(6,923)
Disposal of a subsidiary	11	–	(7,413)	(7,820)	(57)	(15,290)
Transfers		–	1,137	450	(1,587)	–
At 31 March 2017 and 1 April 2017		30,040	79,466	10,884	480	120,870
Adjustment		–	1,166	661	–	1,827
Currency realignment		(972)	(2,125)	(252)	(19)	(3,368)
Additions		21	899	204	1,732	2,856
Disposals/write-offs		–	(6,674)	(155)	–	(6,829)
Transfers		–	1,501	143	(1,644)	–
At 31 March 2018		29,089	74,233	11,485	549	115,356
Accumulated depreciation						
At 1 April 2016		8,878	54,929	11,734	–	75,541
Currency realignment		64	509	199	–	772
Depreciation		594	7,309	1,312	–	9,215
Disposals/write-offs		–	(5,324)	(989)	–	(6,313)
Disposal of a subsidiary	11	–	(5,915)	(7,124)	–	(13,039)
At 31 March 2017 and 1 April 2017		9,536	51,508	5,132	–	66,176
Adjustment		–	1,166	661	–	1,827
Currency realignment		(142)	(1,183)	(77)	–	(1,402)
Depreciation		572	6,342	1,024	–	7,938
Disposals/write-offs		–	(5,962)	(145)	–	(6,107)
At 31 March 2018		9,966	51,871	6,595	–	68,432
Net carrying amount						
At 31 March 2018		19,123	22,362	4,890	549	46,924
At 31 March 2017		20,504	27,958	5,752	480	54,694

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

13. Property, plant and equipment (cont'd)

Company	**Workshop equipment**	**Furniture and fixtures, office equipment and motor vehicles**	**Total**
	$'000	**$'000**	**$'000**
Cost			
At 1 April 2016	209	2,310	2,519
Additions	–	11	11
Disposals/write-offs	–	(3)	(3)
At 31 March 2017 and 1 April 2017	209	2,318	2,527
Additions	–	31	31
Disposals/write-offs	–	(4)	(4)
At 31 March 2018	209	2,345	2,554
Accumulated depreciation			
At 1 April 2016	209	2,005	2,214
Depreciation	–	140	140
Disposals/write-offs	–	(3)	(3)
At 31 March 2017 and 1 April 2017	209	2,142	2,351
Depreciation	–	131	131
Disposals/write-offs	–	(4)	(4)
At 31 March 2018	209	2,269	2,478
Net carrying amount			
At 31 March 2018	–	76	76
At 31 March 2017	–	176	176

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

13. Property, plant and equipment (cont'd)

(a) *Leasehold buildings held by the Group include the following:*

Location	Description	Area sq. m.	Tenure	Net carrying amount 2018 $'000	2017 $'000
Leasehold building					
182 Pandan Loop, Singapore 128373 *	Office building and workshop	14,271	27 years lease from 16 September 2009	850	897
Bahrain International Investment Park, HIDD, Kingdom of Bahrain	Office building and workshop	22,397	50 years lease from 1 September 2009	12,669	13,830
54 Loyang Way Singapore 508747	Office building and workshop	6,912	57 years lease from 1 March 1995	5,604	5,777

* This leasehold building has been classified as investment property at Company level as the property is leased to subsidiaries (Note 12).

(b) *Assets pledged as securities*

The carrying amounts of property, plant and equipment pledged as securities to secure bank facilities of subsidiaries are as follows:

	Net carrying amount 2018 $'000	2017 $'000
Leasehold buildings	12,669	13,830
Assets under construction	358	41
Furniture and fixtures, office equipment and motor vehicles	3,444	3,787
Plant, workshop, ROVs, vessels and rental equipment	11,193	15,578

(c) *Assets held under finance lease*

The carrying amount of property, plant and equipment held under finance lease as at 31 March 2018 was $Nil (2017: $744,000).

During the financial year ended 31 March 2017, leased assets are pledged as security for the related finance lease payable.

(d) *Assets under construction*

Included in the Group's assets under construction as at 31 March 2018 is an amount of $549,000 relating to the construction of workshop and equipment (2017: $245,000 relating to the construction of workshop and equipment and $78,000 relating to purchase of ROVs).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

14. Investment in subsidiaries

	Note	Company 2018 $'000	Company 2017 $'000
Unquoted shares, at cost:			
Beginning of financial year		39,981	45,276
Disposal of a subsidiary		–	(5,295)
Winding-up of a subsidiary		(3,556)	–
End of financial year		36,425	39,981
Allowance for impairment in value of investments		(11,258)	(5,858)
	30	25,167	34,123
Intercompany indebtedness:			
Non-trade amounts due from subsidiaries		24,075	25,544
Allowance for impairment of intercompany indebtedness		–	(478)
		24,075	25,066
Total investment in subsidiaries		49,242	59,189

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

Movement in allowance for impairment in value of investments:

	Company 2018 $'000	Company 2017 $'000
At 1 April	5,858	5,858
Charge for the year	5,400	–
At 31 March	11,258	5,858

During the year, management carried out a review of the recoverable amount of the cost of investment in subsidiaries. Following the review, an impairment loss of $5,400,000 was recognised on the cost of investment for a certain subsidiary. The recoverable amounts of the cost of investment in subsidiaries were estimated based on value-in-use calculations derived from cash flow projections. Key assumptions adopted in the value-in-use calculations include revenue projections, growth rates and discount rates.

Any adverse change in the above key assumptions would result in further impairment losses with regards to carrying amount of investment in the subsidiary. Apart from this subsidiary, management believes that any reasonably possible change in the above key assumptions are not likely to cause any of the recoverable amounts of the investments to be materially lower than their respective carrying amount.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

14. Investment in subsidiaries (cont'd)

Intercompany indebtedness (cont'd)

The non-current amount due from a subsidiary that is impaired at the end of the reporting period and the movement of the allowance account used to record the impairment is as follows:

	Company	
	2018	**2017**
	$'000	**$'000**
Amount due from a subsidiary – nominal value	–	478
Less: Allowance for impairment	–	(478)
	–	–
Allowance for impairment:		
At 1 April	478	432
Charge for the year	–	46
Write-off during the year	(478)	–
At 31 March	–	478

15. Investment in joint ventures

	Group
	$'000
Equity accounted:	
At 1 April 2016	962
Share of results of joint venture	93
Share of joint venture's gain on remeasurement of employee benefits recognised as other comprehensive income	53
At 31 March 2017 and 1 April 2017	1,108
Acquisition during the year	1,808
Share of results of joint venture	(967)
Share of joint venture's gain on remeasurement of employee benefits recognised as other comprehensive income	(149)
Currency realignment	8
At 31 March 2018	1,808

	Company
	$'000
Unquoted shares, at cost:	
At 1 April 2016, 31 March 2017 and 1 April 2017	–
Acquisition during the year	1,808
At 31 March 2018	1,808

As at 31 March 2018, the Group has ownership interests in 2 joint ventures (2017: 1 joint venture).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

15. Investment in joint ventures (cont'd)

PT Binder Indonesia

The Group has 50% (2017: 50%) equity interest in a jointly-controlled entity, PT Binder Indonesia[1] that is held through a subsidiary. The joint venture is incorporated in Indonesia and manufactures proprietary and custom-built pipe support and provides pipe suspension solutions. The Group jointly controls the venture with other partner under the contractual agreement and unanimous consent is required for all major decisions over relevant activities.

Summarised financial information in respect of PT Binder Indonesia based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Summarised balance sheet:		
Cash and cash equivalents	43	116
Other current assets	5,663	9,970
Total current assets	5,706	10,086
Total non-current assets	450	270
Total assets	6,156	10,356
Current trade and other payables	3,230	5,549
Non-current other payables	3,407	2,591
Total liabilities	6,637	8,140
Net (liabilities)/assets	(481)	2,216
Group's share of net (liabilities)/assets at 50% ownership interest	(241)	1,108
Carrying amount of the investment	–	1,108
Summarised statement of comprehensive income:		
Revenue	8,959	14,355
Other income	103	104
Operating expenses	(11,460)	(14,273)
(Loss)/profit before tax	(2,398)	186
Income tax expense	–	–
(Loss)/profit after tax	(2,398)	186
Other comprehensive income	(299)	106
Total comprehensive income	(2,697)	292

The Group has not recognised losses relating to PT Binder Indonesia based on its FRS financial statements where its share of losses exceeds the Group's interest in its joint venture. The Group's cumulative share of unrecognised losses at the end of the reporting period was $232,000 (2017: $Nil). The Group has not incurred obligation or made payments on behalf of the joint venture.

[1] Audited by Tasnum Ali Widjanarko & Rekan

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

15. Investment in joint ventures (cont'd)

In-Line Group

On 25 July 2017, the Company entered into a Share Purchase Agreement to acquire the entire share capital of In-Line Valve Company Limited and In-Line Valve ME Limited (collectively, the "In-Line Group[2]") over 3 tranches. Tranche 1 was completed on 25 July 2017 with the Company acquiring 33.3% of ownership interests in the In-Line Group. The remaining 66.7% of the ownership interests will be acquired by the Company in 2 tranches to be completed over the next 2 years. As at 31 March 2018, the Company jointly controls the venture with other partner under the contractual agreement and unanimous consent is required for all major decisions over relevant activities.

As at 31 March 2018, the Group has not finalise the Purchase Price Allocation ("PPA") for the acquisition of In-Line Group. For the current financial year, the Group has performed a provisional PPA and has computed the provisional goodwill amount of $1,731,000. The provisional goodwill will be adjusted subsequently upon the completion of the PPA.

The In-Line Group is headquartered in the United Kingdom and is active in North Africa, the Middle East and South East Asia. Its principal activity relates to the manufacturing, assembly and testing of flow control valves for use in the upstream oil and gas industry.

Summarised financial information in respect of the In-Line Group based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Group 2018 $'000
Summarised balance sheet:	
Cash and cash equivalents	69
Other current assets	345
Total current assets	414
Total non-current assets	47
Total assets	461
Current trade and other payables	229
Total liabilities	229
Net assets	232
Group's share of net assets at 33.3% ownership interest	77
Provisional goodwill arising from acquisition	1,731
Carrying amount of the investment	1,808

[2] Not required to be audited under the law in their countries of incorporation

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

16. Receivables and prepayments

	Group		Company	
Receivables	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Amounts due from subsidiaries				
- Interest-free loans	–	–	79,271	66,574
- Interest-bearing loan	–	–	6,866	8,355
Allowance for amounts due from subsidiaries	–	–	(21,157)	(21,152)
	–	–	64,980	53,777
Loans due from joint venture	2,342	2,330	184	–
Staff loans, at amortised cost	46	110	18	115
	2,388	2,440	65,182	53,892

Interest-bearing loan to a subsidiary is funded by bank borrowings – Facility 1 (Note 22). It is denominated in United States Dollars and bears interest at the rate of 1.5% (2017: 1.5%) per annum above the SIBOR.

Interest-free loans due from subsidiaries are unsecured and are not expected to be repaid within the next twelve months. These amounts are expected to be settled in cash.

Loans due from joint venture are unsecured, non-interest bearing and are not expected to be repaid within the next twelve months. These amounts are expected to be settled in cash.

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 is as follows:

	Company	
	2018	**2017**
	$'000	**$'000**
Amounts due from subsidiaries – nominal value	21,157	21,152
Less: Allowance for impairment	(21,157)	(21,152)
	–	–
Allowance for impairment:		
At 1 April	21,152	23,975
Charge/(reversal) for the year	5	(2,823)
At 31 March	21,157	21,152

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

16. Receivables and prepayments (cont'd)

Receivables (cont'd)

The interest-free staff loans are extended to certain staff of the Company and its subsidiaries to purchase cars. These loans are repayable by monthly instalments over five years with the last repayment due in financial year ending 2023 (2017: 2021). 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. The total staff loans are as follows:

		Group		Company	
	Note	**2018**	**2017**	**2018**	**2017**
		$'000	**$'000**	**$'000**	**$'000**
Staff loans at amortised costs:					
Current, classified under trade and other receivables	18	38	103	11	61
Non-current, classified under receivables		46	110	18	115
		84	213	29	176

	Group		Company	
Prepayments	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Advances to suppliers	296	509	–	–
Other prepayments	1,311	2,032	89	94
	1,607	2,541	89	94
Non-current				
Prepaid staff benefits	–	7	–	–
Other prepayments	25	–	25	–
	25	7	25	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

17. Inventories

	Group	
	2018	2017
	$'000	$'000
Balance sheet:		
First-in-first-out basis		
- Raw materials	6,512	6,388
- Work-in-progress	2,714	2,192
- Finished goods	4,962	5,824
- Goods-in-transit	72	25
	14,260	14,429
Weighted average basis		
- Finished goods	460	515
- Work-in-progress	13	22
	473	537
Total inventories at lower of cost and net realisable value	14,733	14,966
Inventories are stated after deducting allowance for inventory obsolescence of:		
- first-in-first-out basis	386	411
- weighted average basis	283	600
	669	1,011
Movement in allowance for inventory obsolescence:		
At 1 April	1,011	2,269
(Reversal of allowance)/allowance for inventory obsolescence included in other operating expenses	(293)	628
Utilised	–	(194)
Currency realignment	(49)	65
Disposal of a subsidiary	–	(1,757)
At 31 March	669	1,011

Inventories recognised as cost of sales attributing to continuing operations amounted to $46,196,000 (2017: $51,901,000).

Inventories recognised as cost of sales and presented within “Profit from discontinued operation, net of tax” in the consolidated statement of comprehensive income amounted to $Nil (2017: $13,506,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

18. Trade and other receivables

	Note	Group		Company	
		2018	2017	2018	2017
		$'000	$'000	$'000	$'000
Trade receivables		25,509	37,058	–	–
Staff loans, current	16	38	103	11	61
Sundry deposits		181	188	2	2
Sundry receivables		650	9,529	241	9,417
Amounts due from subsidiaries		–	–	13,831	10,848
		26,378	46,878	14,085	20,328

During the financial year ended 31 March 2017, included in sundry receivables of the Group and Company was an amount relating to the deferred sale consideration for the disposal of a subsidiary (Note 11). The amount has been received during the year.

Amounts due from subsidiaries are non-trade, unsecured, interest-free and repayable upon demand. These amounts are expected to be settled in cash.

Trade and other receivables are stated after deducting an allowance for impairment of trade receivables of:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade receivables	2,355	1,464	–	–

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Singapore Dollars	3,446	5,329	7,379	5,982
Australian Dollars	3,992	22,803	3,506	11,284
United States Dollars	13,266	14,321	2,958	3,062
Bahraini Dinar	197	58	–	–
British Pounds	5,217	4,367	–	–
Others	260	–	242	–
	26,378	46,878	14,085	20,328

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

18. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $9,873,000 (2017: $19,409,000) that are past due at the end of the reporting period but not impaired as management expects payment subsequent to year end. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Trade receivables past due but not impaired:		
Lesser than 30 days	3,899	11,291
30 to 60 days	705	4,132
61 to 90 days	660	1,173
More than 90 days	4,609	2,813
	9,873	19,409

Receivables that are impaired

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors who are in significant financial difficulties and/or 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 allowances made on debtor groups with similar credit risk characteristics that are indicative of the debtors' ability to pay amounts.

The Group's trade 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**	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables – nominal value	2,047	1,156	308	308
Less : Allowance for impairment	(2,047)	(1,156)	(308)	(308)
	–	–	–	–
Allowance for impairment:				
At 1 April	1,156	842	308	308
Exchange differences	(32)	50	–	–
Allowance for impairment	923	961	–	–
Written-off	–	(581)	–	–
Disposal of a subsidiary	–	(116)	–	–
At 31 March	2,047	1,156	308	308

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

19. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Fixed deposits	1,163	11,533	–	10,476
Cash at banks and in hand	9,596	19,875	331	511
	10,759	31,408	331	10,987

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from Nil% to 1.70% (2017: Nil% to 1.70%) per annum. Fixed deposits are made for varying periods of between one week and three months (2017: one week and three months) depending on the immediate cash requirements of the Group, at a weighted average interest rate of 0.90% (2017: 0.59%) per annum.

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Singapore Dollars	1,939	15,172	283	10,939
Australian Dollars	2,001	6,627	–	–
United States Dollars	3,492	7,228	46	46
British Pounds	1,659	2,218	–	–
Bahraini Dinar	151	112	–	–
Others	1,517	51	2	2
	10,759	31,408	331	10,987

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

20. Trade and other payables

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Trade payables	7,264	8,289	–	–
Sundry payables	577	587	44	63
Accrual for staff-related costs	4,308	5,339	417	885
Sundry accruals	5,369	8,378	326	428
Trade amounts due to joint venture	1,542	3,424	–	–
Amounts owing to subsidiaries	–	–	2,239	7
	19,060	26,017	3,026	1,383
Non-current				
Interest-free loans owing to subsidiaries	–	–	2,629	7,169
Sundry payables	250	309	–	–
	250	309	2,629	7,169
Total trade and other payables	19,310	26,326	5,655	8,552

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Singapore Dollars	3,931	4,086	4,416	5,011
Australian Dollars	4,988	8,570	596	3,541
United States Dollars	5,953	9,003	643	–
Bahraini Dinar	1,782	2,136	–	–
British Pounds	2,451	2,285	–	–
Euro	18	14	–	–
Others	187	232	–	–
	19,310	26,326	5,655	8,552

Trade and sundry payables

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

Amounts owing to subsidiaries

Current amounts owing to subsidiaries are non-trade, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

21. Finance lease payable

Future minimum lease payments under finance lease and the present value of the net minimum lease payments are as follows:

	Group					
	2018			2017		
	Minimum lease payments	Finance charges	Present value of minimum lease payments	Minimum lease payments	Finance charges	Present value of minimum lease payments
	$'000	$'000	$'000	$'000	$'000	$'000
Within 1 year	215	(11)	204	348	(17)	331
After 1 year but within 5 years	32	–	32	520	(22)	498
Total	247	(11)	236	868	(39)	829

The average discount rate implicit in the finance leases is between 1% to 6% (2017: 1% to 6%) per annum. The finance leases are denominated in Australian Dollars (2017: Australian Dollars and United States Dollars).

The leases include options to purchase the equipment for a nominal sum.

22. Bank borrowings

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Bank borrowings, current portion				
Secured (Facility 1)	981	1,044	981	1,044
Secured (Facility 2)	–	749	–	–
Unsecured (Facility 3)	–	1,397	–	–
Total current bank borrowings	981	3,190	981	1,044
Bank borrowings, non-current portion				
Secured (Facility 1)	5,885	7,311	5,885	7,311
Unsecured (Facility 4)	6,400	5,000	6,400	5,000
Unsecured (Facility 5)	9,132	9,361	–	–
Unsecured (Facility 6)	–	16,050	–	–
Total non-current bank borrowings	21,417	37,722	12,285	12,311
Total bank borrowings	22,398	40,912	13,266	13,355

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

22. Bank borrowings (cont'd)

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Singapore Dollars	12,000	10,600	6,400	5,000
Australian Dollars	–	16,799	–	–
United States Dollars	10,398	13,513	6,866	8,355
	22,398	40,912	13,266	13,355

Facility 1

The United States Dollars denominated bank loans are repayable over quarterly instalments starting from December 2012 with last instalment due on 28 March 2025. Interest is payable at the rate of 1.50% above the SIBOR. The facility is used to fund an interest-bearing loan to a subsidiary (Note 16).

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 interest-bearing loan from the Company to a subsidiary.

Facility 2

The Australian Dollars denominated short term bank loan bore interest at the rate of 1.70% per annum over the bank's base rate.

The facility is secured by fixed and floating charge over all assets of a subsidiary. The loan has been fully repaid during the year.

Facility 3

The United States Dollars denominated short term bank loan bore interest at the rate of 1.75% per annum over the bank's prevailing Cost of Funds. The loan has been fully repaid during the year.

Facility 4

The multi-currency denominated long term bank loan is repayable on 3 April 2020. Interest is payable at the rate of 3.00% per annum over the SIBOR or 3.10% per annum over the LIBOR in 2018 depending on the currencies being drawn.

Facility 5

The multi-currency denominated long term bank loan as at 31 March 2018 was refinanced during the year and is now repayable on 3 April 2020 (2017: 18 May 2018). Interests is payable at the rate of 2.85% (2017: 1.95%) per annum over the prevailing Swap Offer or 3.00% (2017: 1.95%) per annum over the LIBOR in 2018 depending on the currencies being drawn .

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

22. Bank borrowings (cont'd)

Facility 6

The Australian Dollars denominated bank loan bore interest at the rate of 2.25% per annum over the Bank Bill Swap Bid Rate. The loan has been fully repaid during the year.

A reconciliation of liabilities arising from financing activities is as follows:

	2017	Cash flows	Non-cash changes			2018
			Foreign exchange movement	Accretion of interests	Reclassification	
	$'000	$'000	$'000	$'000	$'000	$'000
Bank borrowings						
Current	3,190	(3,118)	(72)	–	981	981
Non-current	37,722	(14,650)	(674)	–	(981)	21,417
Finance lease payable						
Current	331	(347)	(13)	11	222	204
Non-current	498	(223)	(21)	–	(222)	32
Total	41,741	(18,338)	(780)	11	–	22,634

23. Deferred tax assets/(liabilities)

	Group	Company
	$'000	$'000
At 31 March 2016	7,493	(35)
Currency realignment	282	–
Utilisation of tax losses under group relief	(529)	–
Charge to profit and loss during the financial year	(78)	(20)
Disposal of a subsidiary	(1,486)	–
At 31 March 2017	5,682	(55)
At 31 March 2017	5,682	(55)
Currency realignment	(157)	–
Charge to profit and loss during the financial year	1,142	2
Write-off during the financial year	(6,313)	–
At 31 March 2018	354	(53)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

23. Deferred tax assets/(liabilities) (cont'd)

Deferred tax as at 31 March relates to the following:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets				
Unabsorbed capital allowances and unutilised tax losses	1,511	8,203	25	–
Employee benefits	40	49	13	20
Other provisions	40	727	–	–
Transaction costs on equity issue of a subsidiary	1	2	–	–
Unrealised foreign exchange loss	–	10	–	–
Others	8	307	–	22
	1,600	9,298	38	42
Deferred tax liabilities				
Excess of net book value over tax written down value of property, plant and equipment	(1,175)	(3,243)	(91)	(97)
Others	(71)	(373)	–	–
	(1,246)	(3,616)	(91)	(97)
Deferred tax assets/(liabilities), net	354	5,682	(53)	(55)

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets	958	7,089	–	–
Deferred tax liabilities	(604)	(1,407)	(53)	(55)

At the end of the reporting period, the Group had unutilised tax losses with no expiry of approximately $188,197,000 (2017: $159,592,000) and unabsorbed capital allowances of approximately $13,381,000 (2017: $13,381,000), net of amounts transferred under the group relief transfer system, that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of their recoverability. The use of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the countries where the companies reside.

The potential tax benefit of approximately $56,131,000 (2017: $47,917,000) from these unutilised tax losses and unabsorbed capital allowances has not been recognised in the financial statements due to the uncertainty of their recoverability.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

24. Provisions

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current	355	444	–	–
Non-current	1,114	1,390	84	82
	1,469	1,834	84	82

Represented by:

	Make good provision	Maintenance warranty	Long-service leave	Onerous contracts	Total
	$'000	$'000	$'000	$'000	$'000
Group					
At 1 April 2016	662	260	2,338	–	3,260
Currency realignment	12	6	82	20	120
Provisions/(reversals) during the year	15	(43)	257	708	937
Utilised during the year	(25)	(17)	(244)	–	(286)
Disposal of a subsidiary	(582)	(206)	(1,409)	–	(2,197)
At 31 March 2017 and 1 April 2017	82	–	1,024	728	1,834
Currency realignment	–	–	(67)	(41)	(108)
Provisions during the year	2	–	137	–	139
Utilised during the year	–	–	(64)	(332)	(396)
At 31 March 2018	84	–	1,030	355	1,469

	Make good provision	
	2018	2017
	$'000	$'000
Company		
At 1 April	82	80
Accretion of interest	2	2
At 31 March	84	82

Make good provision

In accordance with certain 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, the Group is of the view that the current provisions are adequate to cover the cost of reinstatement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

(In Singapore dollars)

24. Provisions (cont'd)

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.

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.

Onerous contracts

Present obligations arising under onerous contract are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

25. Share capital and treasury shares

		Group and Company			
		2018		2017	
		No. of shares		No. of shares	
		'000	$'000	'000	$'000
a)	***Ordinary shares issued and fully paid***				
	At 1 April and 31 March	154,521	36,807	154,521	36,807
b)	***Treasury shares***				
	At 1 April	6	4	148	116
	Share buy-back	100	37	130	56
	Transfer of treasury shares pursuant to MTQ Share Plan (Note 31)	(98)	(38)	(272)	(168)
	At 31 March	8	3	6	4

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

25. Share capital and treasury shares (cont'd)

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.

The Company acquired 100,000 (2017: 130,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $37,000 (2017: $56,000) and this was presented as a component within shareholder equity.

The Company transferred 98,208 (2017: 271,840) treasury shares pursuant to the MTQ Share Plan (Note 31). The gain of $44,000 (2017: $167,000) arising from the transfer was recognised in gain on sale/transfer of treasury shares within Other Reserves (Note 26).

26. Reserves

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Retained earnings		29,240	57,022	73,430	84,288
Foreign currency translation reserve		(4,168)	(1,417)	–	–
Other reserves					
- Gain on sale/transfer of treasury shares		2,507	2,463	2,507	2,463
- Premium paid on acquisition of non-controlling interests or reduction in share capital of a subsidiary		(1,078)	(1,078)	–	–
- Employee equity benefits reserve		10	80	9	79
- Net fair value of loss on derivatives		(33)	19	–	–
- Share of joint venture's remeasurement of employee benefits liabilities	15	(96)	53	–	–
		1,310	1,537	2,516	2,542
		26,382	57,142	75,946	86,830

Foreign currency translation reserve

The foreign currency translation reserve comprises exchange differences arising from the translation of financial statements of subsidiaries whose functional currencies are different from that of the Group's presentation currency. The foreign currency translation reserve is also used to record the effect of hedging of net investments in foreign operations.

Gain on sale/transfer of treasury shares

This represents the gain 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

26. Reserves (cont'd)

Premium paid on acquisition of non-controlling interests or reduction in share capital of a subsidiary

This represents the premium paid on acquisition of non-controlling interests arising from the acquisition of additional equity interest in Neptune while retaining control and the reduction of share capital of Neptune prior to financial year ended 2017.

Employee equity benefits reserve

Employee equity benefits reserve represents the equity-settled awards 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, cancellation or release of the awards.

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

27. Dividends

There was no dividend declared or paid in respect of financial years ended 31 March 2017 and 2018.

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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Within one year	4,150	3,727	536	544
After one year but not more than five years	9,268	11,330	2,143	2,133
More than five years	16,811	18,262	7,090	7,729
	30,229	33,319	9,769	10,406

Included in the above, $29,956,000 (2017: $33,046,000) and $9,717,000 (2017: $10,396,000) relate to leasehold land and premises of the Group and the Company respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

28. Commitments and contingencies (cont'd)

(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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Authorised and committed	179	594	–	–

(c) Contingent liabilities

Corporate guarantees issued by the Company for bank facilities utilised by subsidiaries	–	–	3,666	22,153
Guarantees issued to external parties	4,076	4,253	365	296

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 amounts owing from these subsidiaries, net of allowances for impairment is $99,982,000 (2017: $87,874,000).

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 within this segment. This segment operates mainly in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

(a) Operating segments (cont'd)

(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 has expanded into design and manufacturing of proprietary and custom-built pipe support and pipe suspension solutions for the oil and gas industry. This segment operates primarily out of Singapore, Kingdom of Bahrain, Australia and Indonesia.

(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. This segment also distributes and services fuel injection parts and automotive performance parts. This segment operates mainly in Australia.

During the financial year ended 31 March 2017, the Group disposed the subsidiary which constituted the entire operating segment.

(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.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

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

	Continuing operations								
	Investment holding $'000	Oilfield engineering $'000	Neptune $'000	Others $'000	Eliminations $'000	Note	Subtotal $'000	Discontinued operation (Engine systems) $'000	Per consolidated financial statements $'000
2018									
Revenue:									
External sales	–	41,080	70,786	–	–		111,866	–	111,866
Inter-segment sales	4,640	943	71	–	(5,654)	A	–	–	–
Total sales	4,640	42,023	70,857	–	(5,654)		111,866	–	111,866
Results:									
Interest income	9	–	35	–	–		44	–	44
Depreciation and amortisation	(385)	(4,429)	(3,226)	–	–		(8,040)	–	(8,040)
Reversal of allowance for inventory obsolescence	–	293	–	–	–		293	–	293
Allowance for impairment of trade receivables	–	–	(923)	–	–		(923)	–	(923)
Impairment of goodwill	–	–	(5,545)	–	–		(5,545)	–	(5,545)
Loss on winding-up of a subsidiary	(362)	–	–	–	–		(362)	–	(362)
Finance costs	(202)	(579)	(59)	–	–		(840)	–	(840)
Share of results of joint venture	–	(967)	–	–	–		(967)	–	(967)
Segment (loss)/profit before tax	(4,964)	(2,594)	(17,395)	4	–		(24,949)	–	(24,949)
Current/deferred tax (expense)/credit	(14)	834	399	–	–		1,219	–	1,219
Write-off of deferred tax assets	–	–	(6,313)	–	–		(6,313)	–	(6,313)
Assets and liabilities:									
Additions to non-current assets	31	1,473	1,736	–	–		3,240	–	3,240
Segment assets	10,266	59,978	39,934	–	–		110,178	–	110,178
Deferred tax assets									958
Total assets									111,136
Segment liabilities	(947)	(8,565)	(11,267)	–	–		(20,779)	–	(20,779)
Provision for taxation									(429)
Deferred tax liabilities									(604)
Bank borrowings and finance lease payable									(22,634)
Total liabilities									(44,446)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

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

	Continuing operations								
	Investment holding $'000	Oilfield engineering $'000	Neptune $'000	Others $'000	Eliminations $'000	Note	Subtotal $'000	Discontinued operation (Engine systems) $'000	Per consolidated financial statements $'000
2017									
Revenue:									
External sales	–	45,103	85,258	–	–		130,361	26,858	157,219
Inter-segment sales	8,680	621	7	–	(9,308)	A	–	–	–
Total sales	8,680	45,724	85,265	–	(9,308)		130,361	26,858	157,219
Results:									
Interest income	26	1	79	–	–		106	13	119
Depreciation and amortisation	(411)	(4,691)	(3,815)	–	–		(8,917)	(351)	(9,268)
Allowance for inventory obsolescence	–	(533)	–	–	–		(533)	(95)	(628)
Allowance for impairment of trade receivables	–	(183)	(774)	–	–		(957)	(4)	(961)
Bad debts written-off, net	–	(37)	–	–	–		(37)	–	(37)
Finance costs	(143)	(562)	(666)	–	–		(1,371)	(67)	(1,438)
Share of results of joint venture	–	93	–	–	–		93	–	93
Segment (loss)/profit before tax	(3,964)	(7,661)	(8,916)	(48)	–		(20,589)	3,538	(17,051)
Current/deferred tax credit/(expense)	152	1,552	(319)	–	–		1,385	(540)	845
Assets and liabilities:									
Additions to non-current assets	19	522	1,448	–	–		1,989	209	2,198
Segment assets	27,500	72,988	64,218	3	–		164,709	–	164,709
Deferred tax assets									7,089
Total assets									171,798
Segment liabilities	(1,605)	(10,478)	(16,070)	(7)	–		(28,160)	–	(28,160)
Provision for taxation									(518)
Deferred tax liabilities									(1,407)
Bank borrowings and finance lease payable									(41,741)
Total liabilities									(71,826)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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.

(b) Geographical segments

	Singapore	Australia	Bahrain	United Kingdom	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2018						
External sales	33,174	50,672	13,446	12,744	1,830	111,866
Non-current assets	16,556	9,177	24,718	3,335	–	53,786
2017						
External sales	29,617	94,889	17,791	13,649	1,273	157,219
Non-current assets	23,303	14,778	20,932	6,318	1,138	66,469

Non-current assets information presented above consist of goodwill, intangible assets, property, plant and equipment, investment in joint ventures and other investment 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

Revenue from one major customer amounted to $13,671,000 (2017: $21,588,000) arising from sales by the Neptune segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

30. Subsidiaries

a) *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 Company	
			2018	2017	2018	2017
			$'000	$'000	%	%
	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
iii	Violetbloom Investments Pte Ltd (Republic of Singapore)	Inactive (Republic of Singapore)	– ♦	– ♦	100	100
iii	Everfield Pte Ltd (Republic of Singapore)	Inactive (Republic of Singapore)	– ♦	– ♦	100	100
i	MTQ Binder Holdings Pte Ltd (Republic of Singapore)	Investment holding (Republic of Singapore)	– ♦	– ♦	100	100
ii	MTQ Holdings Pty Ltd (Australia)	Investment holding (Australia)	– *	3,556	– *	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)	7,045	7,045	99	99

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

30. Subsidiaries (cont'd)

a) *The subsidiaries as at 31 March are (cont'd):*

	Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Effective interest in equity held by the Company	
			2018	2017	2018	2017
			$'000	$'000	%	%
	Unquoted equity shares held by the Company (cont'd)					
v	MTQ Castings Sdn Bhd (previously known as Metalock Castings Sdn Bhd) (Malaysia)	Inactive (Malaysia)	–	–	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)	8,789	14,189	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)	2,306	2,306	100	100
			25,167	34,123		

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

30. Subsidiaries (cont'd)

a) *The subsidiaries as at 31 March are (cont'd):*

	Name of company (Country of incorporation)	Principal activities (Place of business)	Effective interest in equity held by the Group 2018 %	Effective interest in equity held by the Group 2017 %
	Quoted equity shares held by a subsidiary			
ii,iv	Neptune Marine Services Limited (Australia)	Investment holding (Australia)	87.1	87.1
	Unquoted equity shares held by the subsidiaries			
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)	100	100
i	Premier Estate Pte Ltd (Republic of Singapore)	Investment holding (Republic of Singapore)	100	100
iii,iv	Neptune Marine Services International Pty Ltd (Australia)	Investment holding (Australia)	87.1	87.1
ii,iv	Neptune Asset Integrity Services Pty Ltd (Australia)	Providing a range of specialist access solutions for the provision of inspection, repair and maintenance services (Australia)	87.1	87.1
ii,iv	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)	87.1	87.1
iii,iv	Neptune Fabrication Services Pty Ltd (Australia)	Inactive (Australia)	87.1	87.1
iii,iv	Neptune Subsea Engineering Pty Ltd (Australia)	Providing a range of specialist subsea engineering services to the oil and gas sector (Australia)	87.1	87.1

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

30. Subsidiaries (cont'd)

a) The subsidiaries as at 31 March are (cont'd):

	Name of company (Country of incorporation)	Principal activities (Place of business)	Effective interest in equity held by the Group 2018 %	2017 %
	Unquoted equity shares held by the subsidiaries (cont'd)			
iii,iv	Neptune Geomatics Pty Ltd (Australia)	Providing a range of hydrographic survey, geophysical and positioning services internationally to the oil and gas sector (Australia)	87.1	87.1
iii,iv	Neptune Subsea Stabilisation Pty Ltd (Australia)	Design, manufacture, supply and install a range of pipeline stabilisation and protection systems (Australia)	87.1	87.1
iii,iv	Allied Diving Services Pty Ltd (Australia)	Inactive (Australia)	87.1	87.1
iii,iv	Neptune Delaware Holdings Inc (United States of America)	Investment holding (United States of America)	87.1	87.1
iii,iv	Neptune Underwater Services (USA) LLC (United States of America)	Inactive (United States of America)	87.1	87.1
i,iv	Neptune Asia Holdings Pte Ltd (Republic of Singapore)	Investment holding (Republic of Singapore)	87.1	87.1
i,iv	Neptune Marine Pacific Pte Ltd (Republic of Singapore)	Specialise in the provision of remotely operated vehicles (ROV) services and tooling solutions for both shallow and deep water applications (Republic of Singapore)	87.1	87.1
i,iv	Neptune Access IRM Pte Ltd (Republic of Singapore)	Inactive (Republic of Singapore)	87.1	87.1
i,iv	Neptune Marine Offshore Pte Ltd (Republic of Singapore)	Inactive (Republic of Singapore)	87.1	87.1

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

30. Subsidiaries (cont'd)

a) *The subsidiaries as at 31 March are (cont'd):*

	Name of company (Country of incorporation)	Principal activities (Place of business)	Effective interest in equity held by the Group 2018 %	2017 %
	Unquoted equity shares held by the subsidiaries (cont'd)			
i,iv	Neptune Subsea Stabilisation Pte Ltd (Republic of Singapore)	Design, manufacture, supply and install a range of pipeline stabilisation and protection systems (Republic of Singapore)	87.1	87.1
ii,iv	PT Neptune Subsea Stabilisation (Indonesia)	Design, manufacture, supply and install a range of pipeline stabilisation and protection systems (Indonesia)	87.1	87.1
ii,iv	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)	87.1	87.1
ii,iv	Neptune Scotland Holdings Ltd (United Kingdom)	Investment holding (United Kingdom)	87.1	87.1
ii,iv	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)	87.1	87.1
ii,iv	Neptune Subsea Engineering Ltd (United Kingdom)	Providing a range of specialist subsea engineering services internationally to the oil and gas sector (United Kingdom)	87.1	87.1
ii,iv	Neptune ROV Services Holdings Ltd (United Kingdom)	Investment holding (United Kingdom)	87.1	87.1

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

30. Subsidiaries (cont'd)

a) *The subsidiaries as at 31 March are (cont'd):*

	Name of company (Country of incorporation)	Principal activities (Place of business)	Effective interest in equity held by the Group	
			2018	2017
			%	%
	Unquoted equity shares held by the subsidiaries (cont'd)			
ii,iv	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)	87.1	87.1
ii,iv	Neptune Subsea Services Sdn Bhd (Malaysia)	Providing a range of subsea inspection, repair and maintenance works (Malaysia)	87.1	87.1
i,iv	Neptune ROV Services Pte Ltd (Republic of Singapore)	Inactive (Republic of Singapore)	87.1	87.1
ii,iv	Neptune Offshore Services (PNG) Ltd (Papua New Guinea)	Diving (Papua New Guinea)	87.1	87.1
ii,iv	Neptune Subsea Inc (United States of America)	Providing a range of specialist subsea engineering services to the oil and gas sector (United States of America)	87.1	87.1
ii,iv	Submersible Technology Services Sdn Bhd (Malaysia)	Inactive (Malaysia)	87.1	87.1
ii,iv	Neptune Marine Subsea Services Sdn Bhd (Brunei)	Providing a range of underwater and subsea works including diving, remotely operated vehicle services, underwater inspection, maintenance and repair services, and supply of subsea stabilisation products and services to the offshore industry (Brunei)	87.1	87.1
ii	Binder Group Pty Ltd (Australia)	Design and manufacturing of proprietary and custom-built pipe support and pipe suspension solutions (Australia)	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

30. Subsidiaries (cont'd)

a) The subsidiaries as at 31 March are (cont'd):

	Name of company (Country of incorporation)	Principal activities (Place of business)	Effective interest in equity held by the Group	
			2018	2017
			%	%
	Unquoted equity shares held by the subsidiaries (cont'd)			
i	Binder Asia Pte Ltd (Republic of Singapore)	Trading of proprietary and custom-built pipe support and pipe suspension solutions (Republic of Singapore)	100	100
iii	Binder Holdings Pte Ltd (Republic of Singapore)	Inactive (Republic of Singapore)	100	100

i Audited by Ernst & Young LLP, Singapore

ii Audited by member firms of Ernst & Young Global in their respective countries

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

iv. Subsidiaries, which are part of Neptune Group, that have material non-controlling interest ("NCI") as an aggregate. Total loss allocated to NCI of Neptune Group during the year was $2,261,000 (2017: loss of $1,073,000). Accumulated NCI of Neptune Group as at 31 March 2018 was $3,504,000 (2017: $6,027,000). During the year $Nil (2017: $677,000) of dividends were paid by Neptune to NCI.

v In the process of voluntary winding up

* Wound-up during the year

♦ The cost of investments in each of these subsidiaries is less than $1,000

b) Summarised financial information about subsidiaries with material NCI

Summarised financial information excluding consolidation adjustments and intercompany eliminations of Neptune Group as follows:

Summarised balance sheets

	Neptune Group	
	2018	2017
	$'000	$'000
Current		
Assets	24,603	40,150
Liabilities	(11,464)	(15,806)
Net current assets	13,139	24,344
Non-current		
Assets	16,863	39,226
Liabilities	(1,245)	(1,883)
Net non-current assets	15,618	37,343
Net assets	28,757	61,687

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

30. Subsidiaries (cont'd)

b) Summarised financial information about subsidiaries with material NCI (cont'd)

Summarised statement of comprehensive income

	Neptune Group	
	2018	**2017**
	$'000	**$'000**
Revenue	70,857	85,265
Loss after tax	(31,392)	(8,569)
Other comprehensive income	(1,538)	(2,086)
Total comprehensive income	(32,930)	(10,655)
Other summarised information		
Net cash flows (used in)/generated from operations	(4,225)	5,144

31. Employee benefits

a) MTQ Share Plan

The Group has adopted a compensation scheme, known as the MTQ Share Plan (the "Share Plan"), approved by shareholders of the Company at an Extraordinary General Meeting held on 26 July 2013, to grant the right to receive fully paid ordinary shares ("Award"). The Share Plan, *inter alia*, allows for the participation of employees of the Group and employees of associated companies (a company as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST")) who meet the eligibility criteria, but does not include any controlling shareholders and their associates as defined in the Listing Manual of SGX-ST, nor the Non-Executive Directors.

The Share Plan is administered by the Remuneration Committee which comprises the following members:

Huang Yuan Chiang (Chairman)
Nicholas Campbell Cocks
Ong Eng Yaw

The selection of the participants in the Share Plan and the grant of Award are to be determined by the Remuneration Committee at its absolute discretion.

The principal terms of the Share Plan are:

(i) <u>Size and duration</u>

The total number of new shares which may be delivered by the Company pursuant to the Awards granted under the Share Plan (the "New Shares") on any date, when added to the aggregate number of ordinary shares issued or issuable under any other share schemes which may be implemented by the Company, shall not exceed 15% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) on the date preceding the date of grant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

31. Employee benefits (cont'd)

a) *MTQ Share Plan (cont'd)*

(i) Size and duration (cont'd)

The Share Plan shall continue in force at the discretion of the Remuneration Committee subject to a maximum of 10 years commencing from the date it is adopted by the Company in general meeting, provided always that the Share Plan may continue beyond this stipulated period with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the Share Plan, any grant of shares made pursuant to the Share Plan prior to such expiry or termination will continue to remain valid.

(ii) Eligibility to participate in the Scheme

Subject to the absolute discretion of the Remuneration Committee, the following persons, unless they are also non-executive directors, controlling shareholders and/or their associates, shall be eligible to participate in the Share Plan:

- employees of the Group who have attained the age of twenty-one years before the date of the Award and hold such rank as may be designated by the Remuneration Committee from time to time; and

- employees of associated companies who have attained the age of twenty-one years before the date of the Award and hold such rank as may be designated by the Remuneration Committee from time to time and who, in the opinion of the Remuneration Committee, have contributed to the success of the Group; (collectively known as the "Participants").

(iii) Grant of Awards

Awards under the Share Plan may be granted at any time during the period when the Share Plan is in force. The Remuneration Committee shall, in its absolute discretion, decide, in relation to each Award:

- the participants;

- the Award date;

- the number of fully paid ordinary shares which are the subject of the Award;

- the performance targets and the period during which the targets are to be satisfied;

- the extent to which the fully paid ordinary shares which are the subject of that Award shall be released on the prescribed performance targets being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period;

- the vesting date; and

- any other condition as the Remuneration Committee may determine.

The granted Award may not be sold, transferred, mortgaged, charged, assigned, pledged, encumbered or otherwise disposed of, in whole or in part or in any way whatsoever, except with the prior approval of the Remuneration Committee and if a participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any such rights under an Award, that Award shall immediately lapse.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

31. Employee benefits (cont'd)

a) *MTQ Share Plan (cont'd)*

(iv) Operation of Share Plan

Subject to the prevailing legislation and the rules of the Listing Manual and such consents or other required action by any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to the compliance with the terms of the Share Plan and the Company's Constitutions, the Company will have the flexibility to settle the Awards upon their vesting by way of:

- issuing new ordinary shares of the Company as fully paid;
- delivering existing ordinary shares (including, to the extent permitted by law, treasury shares); and/or
- paying the aggregate market price in cash in lieu of allotment or transfer of some or all of the new or existing ordinary shares.

As at 31 March 2018, the aggregate number of shares comprised in Awards granted pursuant to the MTQ Share Plan which are not released amounted to 11,392 shares (31 March 2017: 113,831 shares). The movements in the number of shares comprised in Awards granted under the MTQ Share Plan are as follows:

	Number of shares				
Date of grant	**At 1.4.2017**	**Granted**	**Released**	**Forfeited**	**At 31.3.2018**
26.8.2015	113,831	–	(98,208)	(4,231)	11,392

b) *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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

(In Singapore dollars)

31. Employee benefits (cont'd)

b) Neptune's incentive option scheme (cont'd)

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:

	Group			
	2018		2017	
	Number of options	Weighted average exercise price A$	Number of options	Weighted average exercise price A$
Outstanding at the beginning of the period	100,000	15.00	100,000	15.00
Expired during the period	(100,000)	15.00	–	–
Outstanding at the end of the period	–	–	100,000	15.00
Exercisable at the end of the period	–	–	100,000	15.00

There are no options outstanding as at 31 March 2018. As at 31 March 2017, the options outstanding had a remaining contractual life of 0.16 years with an exercise price of A$15.00.

In 2010, options issued were calculated by using a Binomial option pricing model applying the following inputs:

Date options issued	1/8/2010
Weighted average exercise price	A$0.58[1]
Weighted average life of the option (years)	5.00
Underlying share price	A$0.28[1]
Expected share price volatility	71%
Risk free interest rate	4.50% per annum

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

[1] The above prices applied in the Binomial option pricing model were prior to the 30:1 share consolidation undertook by Neptune in 2014. Adjusting for the consolidation, the weighted average exercise price and the underlying share price applied would have been A$17.40 and A$8.40 respectively.

Expenses relating to share-based payments

The total expenses recognised relating to the share-based payment transactions included within staff costs in the profit or loss amounted to $11,000 (2017: $2,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

(In Singapore dollars)

32. Related party disclosure

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:

(a) Sale and purchase of goods and services

	Company	
	2018	**2017**
	$'000	**$'000**
Subsidiaries		
- Dividend income	334	8,327
- Management fee income	2,473	6,446
- Rental income from investment property	1,106	1,167
- Interest on loans	229	211

(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 paid during the year and other related party transactions have been disclosed in Note 5.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

(In Singapore dollars)

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 and interest rate 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.

(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 utilised by subsidiaries as at the end of the reporting period is $3,666,000 (2017: $22,153,000) (Note 28(c)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

(a) Credit risk (cont'd)

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			
	2018		2017	
	$'000	% of total	$'000	% of total
By country				
Singapore	7,278	28	7,747	21
Australia	4,542	18	13,901	38
United Kingdom	5,056	20	4,343	12
Saudi Arabia	3,562	14	4,162	11
Malaysia	1,686	7	329	1
Indonesia	965	4	1,424	4
United States	189	1	–	–*
Bahrain	146	1	229	1
Thailand	73	–*	242	1
Brunei	33	–*	187	–*
India	13	–*	118	–*
Vietnam	4	–*	34	–*
Korea	–	–*	2,756	7
Others	1,962	7	1,586	4
	25,509	100	37,058	100
By industry sectors				
Oil and gas	25,166	99	34,483	93
Marine and shipping	34	–*	1,016	3
Mining	96	–*	657	2
Others	213	1	902	2
	25,509	100	37,058	100

* *Less than 1%.*

At the end of the reporting period, approximately 24% (2017: 32%) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

(a) Credit risk (cont'd)

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 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 18 (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), AUD and SGD. The Group's trade and other receivables and trade and other payables balances at the end of the reporting period have similar exposures. As at 31 March 2018, approximately 28% (2017: 69%) of the Group's trade and other receivables and 37% (2017: 43%) 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 19.

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's treasury policy prescribes only "plain vanilla" or treasury hedging instruments with limited downside risk, namely foreign exchange spot and forward contracts, or holder of options (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.

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.

In addition to transactional exposure, the Group is also exposed to foreign currency exchange movements arising from 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

(b) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

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

	Group			
	2018		2017	
	Effect on loss before tax Decrease/ (increase)	Effect on equity Increase/ (decrease)	Effect on loss before tax Decrease/ (increase)	Effect on equity Increase/ (decrease)
	$'000	$'000	$'000	$'000
USD				
- strengthened 3% (2017: 3%)	(76)	749	(114)	804
- weakened 3% (2017: 3%)	76	(749)	114	(804)
AUD				
- strengthened 3% (2017: 3%)	3	–	286	(482)
- weakened 3% (2017: 3%)	(3)	–	(286)	482
SGD				
- strengthened 3% (2017: 3%)	20	(275)	132	(270)
- weakened 3% (2017: 3%)	(20)	275	(132)	270

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

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

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 flows $'000	1 year or less $'000	1 to 5 years $'000	More than 5 years $'000
Group				
2018				
Non-derivative financial liabilities				
Trade and other payables	(19,310)	(19,060)	(250)	–
Bank borrowings	(24,587)	(1,874)	(20,678)	(2,035)
Finance lease payable	(247)	(204)	(43)	–
Contractual undiscounted financial liabilities	(44,144)	(21,138)	(20,971)	(2,035)
2017				
Non-derivative financial liabilities				
Trade and other payables	(26,326)	(26,017)	(309)	–
Bank borrowings	(43,894)	(20,551)	(20,076)	(3,267)
Finance lease payable	(868)	(348)	(520)	–
Contractual undiscounted financial liabilities	(71,088)	(46,916)	(20,905)	(3,267)
Company				
2018				
Non-derivative financial liabilities				
Trade and other payables	(5,655)	(3,026)	–	(2,629)
Bank borrowings	(14,649)	(1,473)	(11,141)	(2,035)
Contractual undiscounted financial liabilities	(20,304)	(4,499)	(11,141)	(4,664)
2017				
Non-derivative financial liabilities				
Trade and other payables	(8,552)	(1,383)	–	(7,169)
Bank borrowings	(14,677)	(1,385)	(10,025)	(3,267)
Contractual undiscounted financial liabilities	(23,229)	(2,768)	(10,025)	(10,436)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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

(c) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below shows the contractual expiry by maturity of the Group's 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		
2018		
Issued financial guarantees to external parties	4,076	4,076
2017		
Issued financial guarantees to external parties	4,253	4,253
Company		
2018		
Issued guarantees for bank facilities utilised by subsidiaries	3,666	3,666
Issued financial guarantees to external parties	365	365
2017		
Issued guarantees for bank facilities utilised by subsidiaries	22,153	22,153
Issued financial guarantees to external parties	296	296

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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 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 loss before tax to a reasonably possible change in the interest rates, with all other variables held constant:

	Effect on Group's loss before tax (increase)/decrease	
	2018	**2017**
	$'000	**$'000**
50 basis points increase (2017: 50 basis points increase)	(112)	(205)
50 basis points decrease (2017: 50 basis points decrease)	112	205

Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's cash and cash equivalents, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

34. Financial instruments

Classification of financial instruments

	Note	Loans and receivables	Financial liabilities at amortised cost	Total
		$'000	$'000	$'000
Group				
2018				
Assets				
Receivables	16	2,388	–	2,388
Trade and other receivables	18	26,378	–	26,378
Cash and cash equivalents	19	10,759	–	10,759
Total financial assets		39,525	–	39,525
Total non-financial assets				71,611
Total assets				111,136
Liabilities				
Trade and other payables	20	–	(19,310)	(19,310)
Finance lease payable	21	–	(236)	(236)
Bank borrowings	22	–	(22,398)	(22,398)
Total financial liabilities		–	(41,944)	(41,944)
Total non-financial liabilities				(2,502)
Total liabilities				(44,446)
2017				
Assets				
Receivables	16	2,440	–	2,440
Trade and other receivables	18	46,878	–	46,878
Cash and cash equivalents	19	31,408	–	31,408
Total financial assets		80,726	–	80,726
Total non-financial assets				91,072
Total assets				171,798
Liabilities				
Trade and other payables	20	–	(26,326)	(26,326)
Finance lease payable	21	–	(829)	(829)
Bank borrowings	22	–	(40,912)	(40,912)
Total financial liabilities		–	(68,067)	(68,067)
Total non-financial liabilities				(3,759)
Total liabilities				(71,826)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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				
2018				
Assets				
Receivables	16	65,182	–	65,182
Trade and other receivables	18	14,085	–	14,085
Cash and cash equivalents	19	331	–	331
Total financial assets		79,598	–	79,598
Total non-financial assets				52,210
Total assets				131,808
Liabilities				
Trade and other payables	20	–	(5,655)	(5,655)
Bank borrowings	22	–	(13,266)	(13,266)
Total financial liabilities		–	(18,921)	(18,921)
Total non-financial liabilities				(137)
Total liabilities				(19,058)
2017				
Assets				
Receivables	16	53,892	–	53,892
Trade and other receivables	18	20,328	–	20,328
Cash and cash equivalents	19	10,987	–	10,987
Total financial assets		85,207	–	85,207
Total non-financial assets				60,470
Total assets				145,677
Liabilities				
Trade and other payables	20	–	(8,552)	(8,552)
Bank borrowings	22	–	(13,355)	(13,355)
Total financial liabilities		–	(21,907)	(21,907)
Total non-financial liabilities				(137)
Total liabilities				(22,044)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

34. Financial instruments (cont'd)

Fair values of assets and liabilities

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) 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 that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

There have been no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 31 March 2018 and 2017.

(b) Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amount of cash and cash equivalents (Note 19), trade and other receivables (other than non-current amounts due from subsidiaries) (Notes 16 and 18), trade and other payables (other than non-current amounts due from subsidiaries) (Note 20), finance lease payable (Note 21) and bank borrowings (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 16 and 20) 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

During the financial year ended 31 March 2017, AUD15,000,000 which was included in loans had been designated as a hedge of the net investment in the Neptune Group 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 losses or gains on translation of the net investments in the subsidiary. There was no ineffectiveness in the financial year ended 31 March 2017. The loan was fully repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018
(In Singapore dollars)

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, sell assets or reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 31 March 2018 and 31 March 2017.

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	2018	2017
		$'000	$'000
Bank borrowings	22	22,398	40,912
Finance lease payable	21	236	829
Less: Cash and cash equivalents	19	(10,759)	(31,408)
Net debt		11,875	10,333
Shareholders' funds		63,186	93,945
Add: Non-controlling interests		3,504	6,027
Net capitalisation		78,565	110,305
Net debt gearing ratio		15%	9%

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 March 2018 and 31 March 2017.

37. Subsequent events

The Company completed the Rights cum Warrants Issue in April 2018 with 61,805,259 Rights Shares and 15,451,245 Warrants listed and quoted on the Official List of the SGX-ST, pursuant to the Rights cum Warrants Issue. Each Warrant carries the right to subscribe for 1 new ordinary share in the capital of the Company. Please refer to the SGX-ST website for more details.

The Rights Shares are issued at $0.20 each and the issuance of the Rights Shares does not give rise to a bonus element.

Following the allotment and issuance of the Rights Shares, the total number of issued Shares of the Company (excluding 8,303 treasury shares) has increased from 154,513,149 Shares to 216,318,408 Shares. Accordingly, the share capital of the Company has increased by approximately $12.0 million, being the net proceeds raised from the Rights cum Warrants Issue.

38. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 March 2018 were authorised for issue in accordance with a resolution of the Directors on 20 June 2018.

STATISTICS OF SHAREHOLDINGS

As at 8 June 2018

Issued and Fully Paid-Up Capital (including Treasury Shares)	:	S$ 49,487,811.98
Number of Issued Shares (excluding Treasury Shares)	:	216,318,408
Number/ Percentage of Treasury Shares	:	8,303 (0.004%)
Class of Shares	:	Ordinary Share
Voting Rights	:	One Vote Per Share

There is no subsidiary holdings.

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 99	59	4.58	2,637	–*
100 - 1,000	89	6.90	45,101	0.02
1,001 - 10,000	491	38.09	2,681,692	1.24
10,001 - 1,000,000	630	48.88	46,843,386	21.66
1,000,001 and above	20	1.55	166,745,592	77.08
	1,289	100.00	216,318,408	100.00

* Less than 0.01%

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of Shares	%
1	KUAH KOK KIM	53,336,410#	24.66
2	CITIBANK NOMINEES SINGAPORE PTE LTD	36,126,376	16.70
3	TAI TAK SECURITIES PTE LTD	22,606,217	10.45
4	SINGAPORE WAREHOUSE COMPANY (PRIVATE) LIMITED	11,843,570	5.48
5	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	9,549,034	4.41
6	DBS NOMINEES (PRIVATE) LIMITED	5,372,378	2.48
7	OCBC SECURITIES PRIVATE LIMITED	4,251,949	1.97
8	PHILLIP SECURITIES PTE LTD	3,596,497	1.66
9	UOB KAY HIAN PRIVATE LIMITED	2,791,425	1.29
10	LIEW CHEE KONG	2,126,900	0.98
11	WONG SIEW KEONG	1,900,000	0.88
12	PETER LOCK HONG CHEONG	1,832,611	0.85
13	BIANCA CHOY	1,757,819	0.81
14	TAN KAH BOH ROBERT@ TAN KAH BOO	1,542,074	0.71
15	TAN KIM SENG	1,521,739	0.70
16	RAFFLES NOMINEES (PTE) LIMITED	1,493,815	0.69
17	KEPPEL INVESTMENT LTD	1,469,128	0.68
18	SHIN YONG KEUK	1,347,390	0.62
19	CHAN WING TO	1,250,260	0.58
20	JOHN REGINALD STOTT KIRKHAM	1,030,000	0.48
	TOTAL	166,745,592	77.08

Excluding 49,400 Shares purchased on 8 June 2018 which have not been entered against his name in the Depository Register as at 8 June 2018.

STATISTICS OF SHAREHOLDINGS

As at 8 June 2018

SUBSTANTIAL SHAREHOLDERS AS AT 8 JUNE 2018

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Kuah Kok Kim	53,385,810	24.68	–	–
Maclean Investments Limited	26,831,478[1]	12.40	–	–
Tai Tak Securities Pte Ltd	22,606,217	10.45	–	–
Singapore Warehouse Company (Private) Limited	11,843,570	5.48	–	–
BOS Trustee Limited	–	–	26,831,478[2]	12.40
Kurt Robert Malkolm Lindblad	–	–	26,831,478[2]	12.40
Tai Tak Estates Sdn Bhd	–	–	22,606,217[3]	10.45
SG Investments Pte Ltd	–	–	22,606,217[4]	10.45
Ho Han Leong Calvin	23,000	0.01	22,606,217[5]	10.45
Hwa Hong Corporation Limited	–	–	11,843,570[6]	5.48

1 Maclean Investments Limited ("Maclean") through its custodian, Citibank Nominees Singapore Pte Ltd, holds 26,831,478 shares in the Company.

2 BOS Trustee Limited ("BOSTL") (formerly known as OCBC Trustee Limited) is the trustee of a trust known as The Limpa Trust ("the Trust") constituted by the Settlor, Mr. Kurt Robert Malkolm Lindblad. Maclean, a company incorporated in British Virgin Islands, is the investment holding vehicle of the Trust and is 100% owned by BOSTL in its capacity as trustee of the Trust. BOSTL 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 deemed to be interested in shares held by Tai Tak Securities Pte Ltd by virtue of Section 7 of the Companies Act.

4 SG Investments Pte Ltd is deemed to be interested in shares held by Tai Tak Securities Pte Ltd by virtue of Section 7 of the Companies Act.

5 Mr. Ho Han Leong Calvin is deemed to be interested in the shares held by Tai Tak Securities Pte Ltd by virtue of Section 7 of the Companies Act.

6 Hwa Hong Corporation Limited is deemed to be interested in the shares held by Singapore Warehouse Company (Private) Limited by virtue of Section 7 of the Companies Act.

Note:
The above percentage is calculated based on the Company's issued share capital (excluding treasury shares and subsidiary holdings) of 216,318,408 shares.

PUBLIC FLOAT

As at 8 June 2018, approximately 42.79% 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.

STATISTICS OF WARRANTHOLDINGS

As at 8 June 2018

Number of Warrants outstanding : 15,451,245

STATISTICS OF WARRANTHOLDINGS

Size of Warrantholdings	Number of Warrantholders	%	Number of Warrants	%
1 - 99	11	2.20	384	–*
100 - 1,000	121	24.20	72,320	0.47
1,001 - 10,000	261	52.20	984,677	6.37
10,001 - 1,000,000	105	21.00	8,048,205	52.09
1,000,001 and above	2	0.40	6,345,659	41.07
	500	100.00	15,451,245	100.00

* Less than 0.01%

TWENTY LARGEST WARRANTHOLDERS

No.	Name	Number of Warrants	%
1	KUAH KOK KIM	4,004,207	25.92
2	TAI TAK SECURITIES PTE LTD	2,341,452	15.15
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	910,928	5.90
4	SINGAPORE WAREHOUSE COMPANY (PRIVATE) LIMITED	898,392	5.81
5	CITIBANK NOMINEES SINGAPORE PTE LTD	715,099	4.63
6	LIEW CHEE KONG	500,000	3.24
7	OCBC SECURITIES PRIVATE LIMITED	426,694	2.76
8	DBS NOMINEES (PRIVATE) LIMITED	307,120	1.99
9	UOB KAY HIAN PRIVATE LIMITED	276,112	1.79
10	TEO JIA HAO	276,000	1.79
11	PHILLIP SECURITIES PTE LTD	273,086	1.77
12	BIANCA CHOY	125,558	0.81
13	ABN AMRO CLEARING BANK N.V.	111,061	0.72
14	TAN KAH BOH ROBERT@ TAN KAH BOO	110,148	0.71
15	TAN BOON PIANG	109,293	0.71
16	READYMIX HOLDINGS INTERNATIONAL PTE LTD	101,714	0.66
17	PETER LOCK HONG CHEONG	100,000	0.65
18	RAMESH S/O PRITAMDAS CHANDIRAMANI	100,000	0.65
19	SHIN YONG KEUK	96,242	0.62
20	CHAN WING TO	89,304	0.58
	TOTAL	11,872,410	76.86

STATISTICS OF WARRANTHOLDINGS

As at 8 June 2018

Exercise Price	:	S$0.22 in cash at which a Warrant Share may be subscribed for upon the exercise of a Warrant, subject to certain adjustments in accordance with the terms and conditions of the Warrants set out in the Deed Poll
Exercise Period	:	The period during which the Warrants may be exercised commencing on and including the date of issue of the Warrants and expiring at 5.00 p.m. on the date immediately preceding five (5) years from the date of issue of the Warrants, unless such date is a date on which the Register of Members is closed or is not a Market Day, in which case the Exercise Period shall end on the date prior to the closure of the Register of Members or on the immediate preceding Market Day, as the case may be, but excluding such period(s) during which the Register of Warrantholders may be closed pursuant to the terms and conditions of the Warrants as set out in the Deed Poll
Warrant Agent	:	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623

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 2, Level 2, 76 Bras Basah Road, Singapore 189558 on Friday, 27 July 2018 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 March 2018 together with the Independent Auditor’s Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Article 91 of the Company’s Constitution:

   Mr. Kuah Boon Wee (Retiring under Article 91) **(Resolution 2)**
   Mr. Chew Soo Lin (Retiring under Article 91) **(Resolution 3)**

   Mr. Chew Soo Lin will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee. Mr. Chew Soo Lin will be considered as an Independent Director.

3. To re-appoint Ernst & Young LLP as the Company’s Auditor and to authorise the Directors to fix its remuneration. **(Resolution 4)**

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

AS SPECIAL BUSINESS

5. To approve the payment of Directors’ fees of up to S$290,000 (2018: S$290,000) for the year ending 31 March 2019, to be paid quarterly in arrears. [See Explanatory Note (i)] **(Resolution 5)**

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

6. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Chapter 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,

NOTICE OF ANNUAL GENERAL MEETING

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 and subsidiary holdings) 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 and subsidiary holdings) 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 and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 Company's Constitution; 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 (ii)] **(Resolution 6)**

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

That pursuant to Section 161 of the Companies Act, Chapter 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 (iii)] **(Resolution 7)**

8. **Authority to issue shares under The MTQ Share Plan**

That:

(1) pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised to grant awards ("Awards") in accordance with the provisions of the prevailing MTQ Share Plan ("the Share Plan") and to allot and issue and/or transfer and/or deliver from time to time such number of fully paid-up shares as may be required to be issued and delivered pursuant to the vesting of Awards under the Share Plan, provided that the aggregate number of new shares allotted and issued

NOTICE OF ANNUAL GENERAL MEETING

and/or to be allotted and issued pursuant to the Share Plan, when added to the aggregate number of shares issued or issuable under any other share schemes which may be implemented by the Company, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time; and

(2) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution; and

(3) 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)**

9. **Proposed Renewal of the Share Buyback Mandate**

That for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire ordinary shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in the Appendix to this Notice of Annual General Meeting dated 27 June 2018 (the "Appendix"), in accordance with the terms of the Share Buyback Mandate set out in the Appendix, and the Share Buyback Mandate shall, unless varied or revoked by the Company in a general meeting, continue in force until the conclusion of (i) the next Annual General Meeting of the Company, (ii) the date by which the next Annual General Meeting of the Company is required by law to be held, or (iii) the date on which Share Purchases are carried out to the full extent mandated, whichever is earliest. [See Explanatory Note (v)] **(Resolution 9)**

By Order of the Board

Tan Lee Fang
Company Secretary
Singapore, 27 June 2018

Explanatory Notes:

(i) The Ordinary Resolution 5 proposed in item 5, if passed, will authorise the Directors of the Company to pay Directors' fees for the year ending 31 March 2019 to Directors quarterly in arrears.

(ii) The Ordinary Resolution 6 in item 6 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 and subsidiary holdings) 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 and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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.

NOTICE OF ANNUAL GENERAL MEETING

(iii) The Ordinary Resolution 7 proposed 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 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.

(iv) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company from the date of the above meeting until the next Annual General Meeting, to grant awards under the MTQ Share Plan in accordance with the provisions of the MTQ Share Plan and to issue or transfer from time to time such number of fully-paid shares pursuant to the vesting of the awards under the MTQ Share Plan subject to the maximum number of shares prescribed under the terms and conditions of the MTQ Share Plan. The aggregate number of ordinary shares which may be issued pursuant to the MTQ Share Plan, all other share option scheme and any other shares scheme is limited to 15% of the total issued shares capital (excluding treasury shares and subsidiary holdings) of the Company from time to time.

(v) Ordinary Resolution 9 proposed in item 9 above, if passed, will authorise the Directors of the Company from the date of this Annual General Meeting until 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 the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the Company in a general meeting or the date on which Share Purchases are carried out to the full extent mandated, whichever is the earliest, to purchase or otherwise acquire ordinary shares in the capital of the Company by way of market purchases or off-market purchases on an equal access scheme of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the price of up to but not exceeding the Maximum Price as defined in the Appendix. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial statements of the Company for the financial year ended 31 March 2018 are set out in greater detail in the Appendix.

Notes:

1. A Member who is not a relevant intermediary, is entitled to appoint a proxy or proxies to attend and vote in his/her stead at the Annual General Meeting (the "Meeting").

2. A Member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

3. A proxy need not be a Member of the Company.

4. 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 fixed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

MTQ CORPORATION LIMITED

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

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the MTQ Corporation Limited's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. 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.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________________ (Name)

of ______________________________ (Address)

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 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 on 27 July 2018, Friday, 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, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	No. of Votes For[1]	No. of Votes Against[1]
1	Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 March 2018 together with the Independent Auditor's Report		
2	Re-election of Mr. Kuah Boon Wee as a Director of the Company		
3	Re-election of Mr. Chew Soo Lin as a Director of the Company		
4	Re-appointment of Ernst & Young LLP as the Company's Auditor and authorising Directors to fix its remuneration		
5	Approval of Directors' fees for FY2019 amounting up to S$290,000		
6	Authority to issue shares		
7	Authority to issue shares under The MTQ Corporation Limited Scrip Dividend Scheme		
8	Authority to issue shares under The MTQ Share Plan		
9	Proposed renewal of the Share Buyback Mandate		

[1] *If you wish to exercise all your votes "For" or "Against", please tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ____________ day of ________________ 2018

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

* Delete where inapplicable

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 81SF of the Securities and Futures Act, Chapter 289), 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, he/she shall specify the proportion of his/her shareholder (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion 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. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or

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Affix
postage
stamp

The Company Secretary
MTQ Corporation Limited
182 Pandan Loop
Singapore 128373

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   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. 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.
6. 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.
7. 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.
8. 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.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 27 June 2018.

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 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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MTQ CORPORATION LIMITED

Co. Reg. No. 196900057Z
182 Pandan Loop Singapore 128373
Tel: (65) 6777 7651
Fax: (65) 6777 6433