MTQ

MTQ CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number 196900057Z)

Unaudited Third Quarter Financial Statements For The Period Ended 31 December 2005

1(a) STATEMENT OF PROFIT AND LOSS FOR THE THREE MONTHS ENDED 31 DECEMBER 2005

GROUP	Continuing Operations			Discontinued Operations			Total		
	3 months to 31.12.05	3 months to 31.12.04	Change	3 months to 31.12.05	3 months to 31.12.04	Change	3 months to 31.12.05	3 months to 31.12.04	Change
	S$'000	S$'000	%	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	12,249	12,636	-3%	11	1,195	-99%	12,260	13,831	-11%
Other income / (expenses) (Note A)	70	88	-20%	(32)	(17)	88%	38	71	-46%
	12,319	12,724	-3%	(21)	1,178	n/m	12,298	13,902	-12%
Cost of sales (Note B)	(7,252)	(7,582)	-4%	(156)	(1,474)	-89%	(7,408)	(9,056)	-18%
	5,067	5,142	-1%	(177)	(296)	-40%	4,890	4,846	1%
Staff costs	(2,343)	(2,231)	5%	(78)	(249)	-69%	(2,421)	(2,480)	-2%
Other operating expenses (Note C)	(899)	(2,318)	-61%	(28)	(990)	-97%	(927)	(3,308)	-72%
Profit / (loss) from operating activities	1,825	593	208%	(283)	(1,535)	-82%	1,542	(942)	n/m
Finance costs (Note D)	(281)	(290)	-3%	-	(79)	n/m	(281)	(369)	-24%
Profit / (loss) from operations before share of results of associated company	1,544	303	410%	(283)	(1,614)	-82%	1,261	(1,311)	n/m
Share of results of associated company	1,927	2,230	-14%	-	-	n/m	1,927	2,230	-14%
Profit / (loss) from operations before taxation	3,471	2,533	37%	(283)	(1,614)	-82%	3,188	919	247%
Taxation (Note F)	188	(610)	n/m	(55)	-	n/m	133	(610)	n/m
Net profit / (loss) from operations	3,659	1,923	90%	(338)	(1,614)	-79%	3,321	309	975%
Attributable to:									
Shareholders of the Company	3,659	1,923	90%	(277)	(1,251)	-78%	3,382	672	403%
Minority interests	-	-	n/m	(61)	(363)	-83%	(61)	(363)	-83%
	3,659	1,923	90%	(338)	(1,614)	-79%	3,321	309	975%

n/m : not meaningful

MTQ CORPORATION LIMITED
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Unaudited Third Quarter Financial Statements For The Period Ended 31 December 2005

STATEMENT OF PROFIT AND LOSS FOR THE NINE MONTHS ENDED 31 DECEMBER 2005

GROUP	Continuing Operations			Discontinued Operations			Total		
	9 months to 31.12.05	9 months to 31.12.04	Change	9 months to 31.12.05	9 months to 31.12.04	Change	9 months to 31.12.05	9 months to 31.12.04	Change
	S$'000	S$'000	%	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	37,498	37,714	-1%	2,510	5,295	-53%	40,008	43,009	-7%
Other income / (expenses) (Note A)	207	241	-14%	(95)	(110)	-14%	112	131	-15%
	37,705	37,955	-1%	2,415	5,185	-53%	40,120	43,140	-7%
Cost of sales (Note B)	(22,813)	(23,269)	-2%	(2,531)	(5,511)	-54%	(25,344)	(28,780)	-12%
	14,892	14,686	1%	(116)	(326)	-64%	14,776	14,360	3%
Staff costs	(7,051)	(6,773)	4%	(384)	(837)	-54%	(7,435)	(7,610)	-2%
Other operating expenses (Note C)	(5,621)	(6,515)	-14%	(228)	(1,224)	-81%	(5,849)	(7,739)	-24%
Profit / (loss) from operating activities	2,220	1,398	59%	(728)	(2,387)	-70%	1,492	(989)	n/m
Finance costs (Note D)	(814)	(801)	2%	(131)	(228)	-43%	(945)	(1,029)	-8%
Gain on disposition (Note E)	-	-	n/m	448	-	n/m	448	-	n/m
Profit / (loss) from operations before share of results of associated company	1,406	597	n/m	(411)	(2,615)	-84%	995	(2,018)	n/m
Share of results of associated company	3,150	3,290	-4%	-	-	n/m	3,150	3,290	-4%
Profit / (loss) from operations before taxation	4,556	3,887	17%	(411)	(2,615)	-84%	4,145	1,272	226%
Taxation (Note F)	(68)	(853)	-92%	(86)	-	n/m	(154)	(853)	-82%
Net profit / (loss) from operations	4,488	3,034	48%	(497)	(2,615)	-81%	3,991	419	853%
Attributable to:									
Shareholders of the Company	4,488	3,034	48%	(407)	(2,023)	-80%	4,081	1,011	304%
Minority interests	-	-	n/m	(90)	(592)	-85%	(90)	(592)	-85%
	4,488	3,034	48%	(497)	(2,615)	-81%	3,991	419	853%

n/m : not meaningful

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Note A - Other income comprise:-

	Group			Group		
	3 months to 31.12.05 S$'000	3 months to 31.12.04 S$'000	Change %	9 months to 31.12.05 S$'000	9 months to 31.12.04 S$'000	Change %
Interest income	14	18	-22%	55	56	-2%
Other income	24	53	-55%	57	75	-24%
	38	71	-46%	112	131	-15%

Note B - Cost of sales include :-

	Group			Group		
	3 months to 31.12.05 S$'000	3 months to 31.12.04 S$'000	Change %	9 months to 31.12.05 S$'000	9 months to 31.12.04 S$'000	Change %
Depreciation of property, plant and equipment	276	799	-65%	1,273	2,375	-46%

Note C - Other operating expenses include :-

	Group			Group		
	3 months to 31.12.05 S$'000	3 months to 31.12.04 S$'000	Change %	9 months to 31.12.05 S$'000	9 months to 31.12.04 S$'000	Change %
Depreciation of property, plant and equipment	559	448	25%	1,900	1,014	87%
Loss / (gain) on exchange, net	573	(409)	n/m	372	(254)	n/m
Allowance for doubtful debts and bad debts written off, net	2	165	-99%	22	216	-90%
Allowance for inventory obsolescence and inventories written off, net	70	19	268%	212	132	61%
Loss / (gain) on sale of property, plant and equipment, net	29	9	222%	(34)	43	n/m
(Gain) / loss on dilution of shareholding in associated company	(2,139)	50	n/m	(2,108)	54	n/m
Provision for impairment of property, plant and equipment	-	1,183	n/m	-	1,274	n/m
Amortisation of goodwill	-	97	n/m	-	283	n/m
Goodwill written off	-	-	n/m	-	5	n/m

Note D - Finance costs comprise:-

	Group			Group		
	3 months to 31.12.05 S$'000	3 months to 31.12.04 S$'000	Change %	9 months to 31.12.05 S$'000	9 months to 31.12.04 S$'000	Change %
Interest on:						
- bank loans and overdrafts	277	347	-20%	926	996	-7%
- loans from a minority shareholder of a subsidiary company	-	6	n/m	-	17	n/m
- others	4	16	-75%	19	16	19%
	281	369	-24%	945	1,029	-8%

Note E - Gain on disposition

Subsea Robotics division

On 13 September 2005, the Group's subsidiary companies, MTQ Subsea Technology Pte Ltd and MTQ Subsea Limited, completed the sale of its ROV fleet to Oceaneering International AG ("OI") for a total consideration of S$8.49m (US$5.06m). Following the divestment of its ROV fleet, the Subsea Robotics division will progressively wind down its ROV operations and realise its other ROV assets.

To-date, total proceeds from the disposition of its ROV fleet and other assets amounted to S$8.28m, net of costs, has been fully received.

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

	Group	
	At date of disposal	At 31.03.05
	S$'000	S$'000
Total assets	7,492	8,329
Total liabilities	-	-
	7,492	8,329

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

	Group	
	9 months to 31.12.05	9 months to 31.12.04
	S$'000	S$'000
Operating	(1,721)	21
Investing	8,270	(47)
Financing	(6,412)	29
	137	3

The figures above may be subject to further changes as the process of divestment continues.

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

	Group			Group		
	3 months to 31.12.05	3 months to 31.12.04	Change	9 months to 31.12.05	9 months to 31.12.04	Change
	S$'000	S$'000	%	S$'000	S$'000	%
Underprovision / (overprovision) in respect of previous years:						
- current taxation	-	-	n/m	-	(104)	n/m
- deferred taxation	-	-	n/m	6	4	50%
	-	-	n/m	6	(100)	n/m

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1(b)(i) BALANCE SHEETS

	Group		Company	
	31.12.05	31.03.05	31.12.05	31.03.05
	S$'000	S$'000	S$'000	S$'000
Share capital	23,861	23,861	23,861	23,861
Reserves	18,984	10,704	4,358	5,564
Shareholders' funds	42,845	34,565	28,219	29,425
Minority interests	(821)	(792)	-	-
	42,024	33,773	28,219	29,425
Represented by:				
Non-current assets				
Goodwill	6,900	7,168	-	-
Property, plant and equipment, net	10,218	19,012	1,258	1,502
Subsidiary companies	-	-	26,667	26,964
Associated company	-	11,138	-	-
Long term investment	23,407	-	-	-
Long term receivables	1,039	1,025	136	106
Deferred tax assets	1,327	539	-	-
	42,891	38,882	28,061	28,572
Current assets				
Inventories	10,853	8,029	-	-
Receivables	10,451	11,485	123	401
Tax recoverable	876	922	735	689
Fixed deposits	-	2,435	-	400
Cash at bank and in hand	3,813	3,320	106	119
	25,993	26,191	964	1,609
Current liabilities				
Trade and other payables	(12,102)	(10,220)	(749)	(684)
Short term bank borrowings	(4,901)	(7,279)	-	-
Long term bank borrowings, current portion	(1,388)	(3,985)	-	-
Loans from a minority shareholder of a subsidiary company	(1,182)	(1,390)	-	-
Provision for taxation	(576)	(67)	-	-
	(20,149)	(22,941)	(749)	(684)
Net current assets	5,844	3,250	215	925
Non-current liabilities				
Long term bank borrowings	(6,270)	(7,980)	-	-
Deferred tax liabilities	(441)	(379)	(57)	(72)
	(6,711)	(8,359)	(57)	(72)
	42,024	33,773	28,219	29,425

Non-current assets increased significantly mainly due to the purchase of additional shares in RCR Tomlinson Limited ("RCR") as well as fair value adjustments in relation to the Group's investment in RCR.

As announced on 1 December 2005, RCR ceased to be an associated company of the Group and is instead accounted for as a long term investment, following the dilution of the Group's shareholding in RCR to 19.11% on 29 November 2005.

In accordance with FRS 39 – Financial Instruments, the carrying amount of the Group's investment in RCR was increased by S$5.32 million upon measuring it at fair value as at 31 December 2005. The fair value adjustment had been taken up as part of shareholders' equity and will only be recognised in the profit and loss account upon realisation of the investment in RCR.

The increase in non-current assets was, however, offset by a reduction in property, plant and equipment following the sale of its ROV fleet by the Subsea Robotics division as well as a property in Ipoh, Malaysia.

Net current assets increased mainly due to an increase in inventories and lower bank borrowings (as explained in 1b(ii)), offset by an increase in payables.

Non-current liabilities decreased mainly due to the repayment of bank loans, net of new borrowings to fund the acquisition of plant and equipment by the Oilfield Engineering division.

1(b)(ii) GROUP BORROWINGS

	As at 31.12.05		As at 31.03.05	
	Secured	Unsecured	Secured	Unsecured
	S$'000	S$'000	S$'000	S$'000
Amount repayable in one year or less	5,789	500	10,937	327
Amount repayable after one year	6,270	-	7,980	-

Details of any collateral:

(i) Total bank borrowings in Australian dollars equivalent to S$10,053,000 granted to a subsidiary company of which S$5,664,000 falls due after one year, are secured by the following:-

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

(ii) Total bank borrowings of S$2,006,000 granted to a second subsidiary company, all of which S$606,000 falls due after one year, are secured by the following :-

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

Group's Borrowings:

The Group's borrowings as at 31 December 2005 decreased significantly from 31 March 2005 mainly due to the retirement of bank borrowings by the Subsea Robotics division (through proceeds from the sale of its ROV fleet) offset by proceeds from new bank loans to finance the purchase of plant and equipment by the Oilfield Engineering division.

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1(c) CASH FLOW STATEMENT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2005

	Group	
	3 months to 31.12.05 S$'000	**3 months to 31.12.04 S$'000**
Cash flows from operating activities:		
Profit from operations before taxation	3,188	919
Add/ (less):		
Depreciation of property, plant and equipment	835	1,247
Loss on sale of property, plant and equipment, net	29	9
Interest income	(14)	(18)
Interest expense	281	369
(Gain) / loss on dilution of shareholding in associated company	(2,139)	50
Share of results of associated company	(1,927)	(2,230)
Provision for impairment of property, plant & equipment	-	1,183
Amortisation of goodwill	-	97
Operating profit before reinvestment in working capital	253	1,626
Decrease / (increase) in receivables	1,573	(782)
Increase in inventories	(459)	(711)
Decrease in payables	(2,084)	(768)
Currency re-alignment	144	(52)
Cash used in operations	(573)	(687)
Interest income received	14	18
Interest expense paid	(277)	(347)
Income taxes paid	(26)	(272)
Net cash used in operating activities	(862)	(1,288)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,602)	(1,183)
Proceeds from sale of property, plant and equipment	36	262
Loans (granted to) / repaid by staff, net	(121)	24
Acquisition of additional shares in associated company	(2,171)	(1,470)
Dividends received from associated company	186	-
Proceeds from disposition of discontinued operations	367	-
Net cash used in investing activities	(3,305)	(2,367)
Cash flows from financing activities:		
Dividends paid	(764)	(764)
Proceeds from bank overdrafts, secured	348	698
Proceeds from / (repayment of) bank loans, net	1,070	(242)
Repayment of loans from a minority shareholder of a subsidiary company, net	(90)	-
Net cash provided by / (used in) financing activities	564	(308)
Net change in cash and cash equivalents	(3,603)	(3,963)
Cash and cash equivalents at beginning of financial period	7,416	10,285
Cash and cash equivalents at end of financial period	3,813	6,322

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

	Group	
	As at 31.12.05	**As at 31.12.04**
	S$'000	**S$'000**
Fixed deposits	-	2,774
Cash at bank and in hand	3,813	3,548
	3,813	6,322

Net cash used in operating activities deteriorated in 3QFY2006 mainly due to lower operating cashflows generated from the Engine Systems division in view of its weaker performance.

Net cash used in investing activities during 3QFY2006 was mainly for the acquisition of additional shares in RCR as well as further investment in plant and equipment.

Net cash of S$0.56m provided by financing activities arose from new loans obtained for the purchase of plant and equipment offset by the payment of dividends.

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1(d)(i) STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 31 DECEMBER 2005

	Attributable to shareholders of the Company							
Group	**Share Capital S$'000**	**Share Premium S$'000**	**Foreign Currency Translation Reserve S$'000**	**Retained Earnings S$'000**	**Fair Value Adjustment Reserve S$'000**	**Shareholders' Funds S$'000**	**Minority Interests S$'000**	**Total Equity S$'000**
Balance as at 1 October 2004	23,861	4,265	709	8,117	-	36,952	354	37,306
Exchange difference on translation of overseas subsidiary companies	-	-	733	-	-	733	31	764
Net profit from operations	-	-	-	672	-	672	(363)	309
Share of reserves movement in associated company	-	-	-	(169)	-	(169)	-	(169)
Interim dividend paid in respect of current financial year, less tax	-	-	-	(764)	-	(764)	-	(764)
Balance as at 31 December 2004	23,861	4,265	1,442	7,856	-	37,424	22	37,446
Balance as at 1 October 2005	23,861	4,265	1,889	5,363	-	35,378	(761)	34,617
Effect of adoption of Australian equivalents to IFRS* by associated company	-	-	-	(360)	-	(360)	-	(360)
	23,861	4,265	1,889	5,003	-	35,018	(761)	34,257
Net gain on fair value changes	-	-	-	-	5,320	5,320	-	5,320
Exchange difference on translation of overseas subsidiary companies	-	-	(625)	-	-	(625)	1	(624)
Net profit from operations	-	-	-	3,382	-	3,382	(61)	3,321
Share of reserves movement in associated company				514		514		514
Interim dividend paid in respect of current financial year, less tax	-	-	-	(764)	-	(764)	-	(764)
Balance as at 31 December 2005	23,861	4,265	1,264	8,135	5,320	42,845	(821)	42,024

* IFRS - International Financial Reporting Standards. IFRS do not vary significantly from the Singapore Financial Reporting Standards.

Company	**Share Capital S$'000**	**Share Premium S$'000**	**Retained Earnings S$'000**	**Shareholders' Funds S$'000**
Balance as at 1 October 2004	23,861	4,265	5,774	33,900
Net loss from operations	-	-	(1,343)	(1,343)
Interim dividend paid in respect of current financial year, less tax	-	-	(764)	(764)
Balance as at 31 December 2004	23,861	4,265	3,667	31,793
Balance as at 1 October 2005	23,861	4,265	888	29,014
Net loss from operations	-	-	(31)	(31)
Interim dividend paid in respect of current financial year, less tax	-	-	(764)	(764)
Balance as at 31 December 2005	23,861	4,265	93	28,219

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

There have been no changes to the issued share capital of the Company during the quarter.

Pursuant to the expiry of 200 unexercised share options on 15 October 2005, the total number of options outstanding as at 31 December 2005 are as follows:-

Date of grant	No. of options outstanding As at 31.12.05 ('000)	No. of options outstanding As at 31.12.04 ('000)	Expiry date	Exercise price per share
16 October 2000	546	586	15 October 2010	S$0.30
31 July 2003	440	440	30 July 2008	S$0.43
31 July 2003	1,155	1,465	30 July 2013	S$0.43
	2,141	2,491		

2 AUDIT

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

3 AUDITORS' REPORT

Not Applicable

4 ACCOUNTING POLICIES

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

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

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

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

(ii) FRS 103 - Business Combinations

Under FRS 103, goodwill arising from business combinations as recorded in the balance sheet of the Group is no longer required to be amortised and charged to the income statement. Instead, such goodwill will be tested for impairment in accordance with revised FRS 36-Impairment of Assets. Any impairment loss is charged to the income statement and subsequent reversal is not allowed.

No goodwill amortisation was recorded for the nine months ended 31 December 2005 (Nine months ended 31 December 2004: S$283,000).

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

(iii) FRS 39 - Financial Instruments

The Group and the Company had adopted FRS 39 prospectively. At that date, financial assets within the scope of FRS39 were classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial assets that were classified as financial assets at fair value through profit or loss and available-for-sale financial assets were measured at fair value while loans and receivables and held-to-maturity investments were measured at amortised cost using the effective interest rate method.

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

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

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

5 CHANGES IN ACCOUNTING POLICIES

As discussed above.

6 EARNINGS PER ORDINARY SHARE (EPS)

	Group		Group	
Earnings / (loss) per ordinary share:-	**3 months ended 31.12.05 (cents)**	**3 months ended 31.12.04 (cents)**	**9 months ended 31.12.05 (cents)**	**9 months ended 31.12.04 (cents)**
Basic - Continuing operations	3.83	2.01	4.70	3.20
Basic - Discontinued operations	(0.29)	(1.31)	(0.42)	(2.13)
Basic - Total (Note A)	3.54	0.70	4.28	1.07
Diluted - Continuing operations	3.83	2.01	4.70	3.20
Diluted - Discontinued operations	n/a	n/a	n/a	n/a
Diluted - Total (Note B)	3.54	0.70	4.27	1.07

n/a - not applicable as the effect of dilution will reduce the loss per ordinary share of the discontinued operations.

Note A
The basic earnings / (loss) per ordinary share is calculated based on the net profit attributable to shareholders of the Company set out in 1(a) above and the weighted average number of ordinary shares in issue during the period under review :-
3QFY06 - 95.445m shares (3QFY05 - 95.445m shares)
YTDFY06 - 95.445m shares (YTDFY05 - 94.750m shares)

Note B
The diluted earnings / (loss) per ordinary share is calculated based on the net profit attributable to shareholders of the Company set out in 1(a) above and the weighted average number of ordinary shares of in issue during the period under review (adjusted for the effects of dilutive potential ordinary shares being the share options granted to employees) :-
3QFY06 - 95.533m shares (3QFY05 - 95.503m shares)
YTDFY06 - 95.533m shares (YTDFY05 - 94.890m shares)

7 NET ASSET VALUE

	Group		Company	
	31.12.05 (cents)	**31.03.05 (cents)**	**31.12.05 (cents)**	**31.03.05 (cents)**
Net asset* value per ordinary share based on issued share capital	44.89	36.21	29.57	30.83

* Net asset refers to shareholders' funds.

8 REVIEW OF GROUP PERFORMANCE

REVENUE

3QFY06 vs 3QFY05

The Group registered a revenue of S$12.26m for 3QFY06, 11% lower than that achieved in 3QFY05.

The decrease was mainly attributable to the absence of contribution from the Subsea Robotics division following the sale of its remotely operated vehicles ("ROVs") fleet in September 2005.

The Engine Systems division experienced weaker sales in 3QFY06, particularly in its large frame turbocharger and fuel injection segments. Notwithstanding this, revenue shortfall was mitigated by further growth achieved in its expansion into the distribution of automotive performance products.

The Oilfield Engineering division also enjoyed higher repair volumes. Active marketing efforts to expand its customer base and the equipment range offered also translated into higher oilfield equipment rental revenue during the quarter.

YTD3QFY06 VS YTD3QFY05

Year-to-date, the Group achieved a revenue of S$40.01m for the nine months ended 31 December 2005.

This represented a 7% decline over its comparative period as lower sales revenue from both the Engine Systems and Subsea Robotics division offset improved revenue contributions from the Oilfield Engineering division.

PROFITABILITY

3QFY06 vs 3QFY05

The Group recorded a net profit of S$3.32m in 3QFY06, after accounting for its share of RCR's results up to 29 November 2005 and a gain on the dilution of its shareholding in RCR, following RCR's share placement at a significant premium above its net asset value.

The Group also benefited from lower operating losses in its Subsea Robotics division following divestment of its ROV fleet as well as the absence of a S$1.18m provision for impairment in respect of the ROVs made in 3QFY05 (as reflected under "Discontinued Operations").

This was, however, offset by exchange losses of S$0.57m incurred during the quarter which compares against an exchange gain of S$0.41m in 3QFY05.

Lower sales activities, as well as significantly higher depreciation charges from the new IT infrastructure, also cumulated to have a negative impact on the performance of Engine Systems division. This was slightly offset by net tax credits recognised.

Meanwhile, the Oilfield Engineering division posted stronger earnings on the back of higher revenues and improved job margins.

YTD3QFY06 VS YTD3QFY05

For the 9 months ended 31 December 2005, the Group generated a profit of S$3.99m, after accounting for its share of RCR's results and a gain on the dilution of its shareholding in RCR.

The improved performance was also driven by stronger earnings from Oilfield Engineering division, reduced operating losses in the Subsea Robotics division, as well as gains derived on disposition of its ROV fleet. The increase was, however, more than offset by weaker performance in the Engine Systems division as well as unfavourable exchange movements.

The Group also benefited from the absence of a S$1.18m provision for impairment in respect of the ROVs,as well as goodwill amortisation of S$0.28m which is no longer required under FRS103 – Business Combinations.

9 VARIANCE FROM PROSPECT STATEMENT

No significant variance noted.

10 PROSPECTS

The Oilfield Engineering division is likely to sustain its revenue and earnings growth (both in the repairs as well as equipment rental segment) amidst the buoyant oil and gas industry.

The division also initiated plans to expand its oilfield component manufacturing with committed purchases of new machines equipped with enhanced functionalities as well as tooling systems. The expansion is expected to boost the performance of the division upon complete delivery of the machines in the new financial year.

Despite the loss-making performance of the Engine Systems division year-to-date, its performance is expected to improve in the new financial year. The division will continue to drive its expansion into the automotive performance products market in Australia. Apart from a more aggressive marketing approach, the division will be introducing a re-manufacturing exchange programme to further improve operational efficiencies and customer service turnaround time. Operating overheads of the division are also likely to reduce following completion of the ERP implementation exercise.

Meanwhile, steps will be taken to progressively wind up the Subsea Robotics division.

11 DIVIDENDS

a) Any dividend declared for the present financial period? No

Present Period

Name of Dividend	Not Applicable
Dividend Type	
Dividend Rate	
Par Value of Shares	
Tax Rate	

b) Any dividend declared for the previous corresponding period? No

Previous Corresponding Period

Name of Dividend	Not Applicable
Dividend Type	
Dividend Rate	
Par Value of Shares	
Tax Rate	

c) Date payable	Not Applicable
d) Books closure date	Not Applicable

BY ORDER OF THE BOARD

Fong Choon Seng
Company Secretary
10.02.06