



**MTQ CORPORATION LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration Number 196900057Z)

**Unaudited Half Year Financial Statements For The Period Ended 30 September 2006**

**1(a) STATEMENT OF PROFIT AND LOSS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2006**

GROUP	Continuing Operations			Discontinued Operations			Total		
	6 months to 30.09.06	6 months to 30.09.05	Change	6 months to 30.09.06	6 months to 30.09.05	Change	6 months to 30.09.06	6 months to 30.09.05	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	32,014	25,249	27%	403	2,499	-84%	32,417	27,748	17%
Other income / (expenses) (Note A)	1,350	137	885%	12	(63)	n/m	1,362	74	1,741%
	<u>33,364</u>	<u>25,386</u>	<u>31%</u>	<u>415</u>	<u>2,436</u>	<u>-83%</u>	<u>33,779</u>	<u>27,822</u>	<u>21%</u>
Cost of sales (Note B)	(19,786)	(15,561)	27%	(399)	(2,375)	-83%	(20,185)	(17,936)	13%
	<u>13,578</u>	<u>9,825</u>	<u>38%</u>	<u>16</u>	<u>61</u>	<u>-74%</u>	<u>13,594</u>	<u>9,886</u>	<u>38%</u>
Staff costs	(5,096)	(4,708)	8%	-	(306)	n/m	(5,096)	(5,014)	2%
Other operating expenses (Note C)	(4,497)	(4,722)	-5%	(19)	(200)	-91%	(4,516)	(4,922)	-8%
Profit / (loss) from operating activities	<u>3,985</u>	<u>395</u>	<u>909%</u>	<u>(3)</u>	<u>(445)</u>	<u>-99%</u>	<u>3,982</u>	<u>(50)</u>	<u>n/m</u>
Finance costs (Note D)	(558)	(533)	5%	-	(131)	n/m	(558)	(664)	-16%
Gain on disposition (Note E)	-	-	n/m	-	448	n/m	-	448	n/m
Profit / (loss) from operations before share of results of associated company	<u>3,427</u>	<u>(138)</u>	<u>n/m</u>	<u>(3)</u>	<u>(128)</u>	<u>-98%</u>	<u>3,424</u>	<u>(266)</u>	<u>n/m</u>
Share of results of associated company	-	1,223	n/m	-	-	n/m	-	1,223	n/m
Profit / (loss) from operations before taxation	<u>3,427</u>	<u>1,085</u>	<u>216%</u>	<u>(3)</u>	<u>(128)</u>	<u>-98%</u>	<u>3,424</u>	<u>957</u>	<u>258%</u>
Taxation (Note F)	(1,075)	(256)	320%	29	(31)	n/m	(1,046)	(287)	264%
Net profit / (loss) from operations	<u>2,352</u>	<u>829</u>	<u>184%</u>	<u>26</u>	<u>(159)</u>	<u>n/m</u>	<u>2,378</u>	<u>670</u>	<u>255%</u>
Attributable to:									
Shareholders of the Company	2,352	829	184%	21	(130)	n/m	2,373	699	239%
Minority interests	-	-	n/m	5	(29)	n/m	5	(29)	n/m
	<u>2,352</u>	<u>829</u>	<u>184%</u>	<u>26</u>	<u>(159)</u>	<u>n/m</u>	<u>2,378</u>	<u>670</u>	<u>255%</u>

n/m : not meaningful

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**Unaudited Half Year Financial Statements For The Period Ended 30 September 2006****Note A - Other income comprise:-**

	Group		Change %
	6 months to 30.09.06 S\$'000	6 months to 30.09.05 S\$'000	
Interest income	41	41	0%
Dividend income	1,275	-	n/m
Other income	46	33	39%
	<u>1,362</u>	<u>74</u>	<u>1741%</u>

**Note B - Cost of sales include :-**

	Group		Change %
	6 months to 30.09.06 S\$'000	6 months to 30.09.05 S\$'000	
Depreciation of property, plant and equipment	715	997	-28%

**Note C - Other operating expenses include :-**

	Group		Change %
	6 months to 30.09.06 S\$'000	6 months to 30.09.05 S\$'000	
Depreciation of property, plant and equipment	706	1,341	-47%
Gain on exchange, net	(190)	(201)	-5%
Allowance for doubtful receivables and bad debts written off, net	211	20	955%
Allowance for inventory obsolescence and inventories written off, net	146	142	3%
Gain on sale of property, plant and equipment, net	(33)	(63)	-48%
Loss on dilution of shareholding in associated company	-	31	n/m

**Note D - Finance costs comprise:-**

	Group		Change %
	6 months to 30.09.06 S\$'000	6 months to 30.09.05 S\$'000	
Interest on:			
- bank loans and overdrafts	554	649	-15%
- others	4	15	-73%
	<u>558</u>	<u>664</u>	<u>-16%</u>

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**Unaudited Half Year Financial Statements For The Period Ended 30 September 2006****Note E - Gain on disposition**

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 the ROV fleet, the subsidiary companies had progressively wound down their ROV operations and realised their other ROV assets.

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

	<b>Group</b>	
	<b>At 30.09.06</b>	<b>At 31.03.06</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Total assets	-	7,487
Total liabilities	-	-
	<u>-</u>	<u>7,487</u>

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

	<b>Group</b>	
	<b>6 months to</b>	<b>6 months to</b>
	<b>30.09.06</b>	<b>30.09.05</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Operating	(198)	(1,192)
Investing	-	7,903
Financing	(45)	(6,322)
	<u>(243)</u>	<u>389</u>

As at 31 March 2006, only assets of S\$399,000 and associated liabilities of S\$279,000 relating to the subsidiary companies are classified as held-for-sale. These were realised during the half year ended 30 September 2006.

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

	<b>Group</b>		<b>Change</b>
	<b>6 months to</b>	<b>6 months to</b>	
	<b>30.09.06</b>	<b>30.09.05</b>	
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
Underprovision / (overprovision) in respect of previous years:-			
- current taxation	(29)	-	n/m
- deferred taxation	34	6	467%
	<u>5</u>	<u>6</u>	<u>-17%</u>



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**1(b)(i) BALANCE SHEETS**

	Group		Company	
	30.09.06 S\$'000	31.03.06 S\$'000	30.09.06 S\$'000	31.03.06 S\$'000
<b>Non-current assets</b>				
Goodwill	6,682	6,543	-	-
Property, plant and equipment, net	13,188	11,038	1,074	1,158
Subsidiary companies	-	-	17,526	17,427
Long term investments	37,852	32,569	-	-
Receivables	456	382	67	128
Deferred tax assets	1,177	1,148	-	-
	<u>59,355</u>	<u>51,680</u>	<u>18,667</u>	<u>18,713</u>
<b>Current assets</b>				
Inventories	14,141	10,154	-	-
Trade and other receivables	10,601	11,542	15,360	16,991
Prepayments	610	956	44	34
Tax recoverable	839	842	825	825
Cash at bank and in hand	3,630	3,650	513	-
	<u>29,821</u>	<u>27,144</u>	<u>16,742</u>	<u>17,850</u>
Assets classified as held-for-sale	-	399	-	-
	<u>29,821</u>	<u>27,543</u>	<u>16,742</u>	<u>17,850</u>
<b>Current liabilities</b>				
Trade and other payables	(9,104)	(9,050)	(868)	(975)
Accruals and provisions	(4,884)	(3,891)	(752)	(558)
Short term bank borrowings	(6,866)	(5,815)	(2,250)	(700)
Long term bank borrowings, current portion	(1,694)	(1,042)	-	-
Loans from a minority shareholder of a subsidiary company	-	(76)	-	-
Provision for taxation	(737)	(358)	(78)	-
	<u>(23,285)</u>	<u>(20,232)</u>	<u>(3,948)</u>	<u>(2,233)</u>
Liabilities associated with assets classified as held-for-sale	-	(279)	-	-
	<u>(23,285)</u>	<u>(20,511)</u>	<u>(3,948)</u>	<u>(2,233)</u>
Net current assets	6,536	7,032	12,794	15,617
<b>Non-current liabilities</b>				
Other payables	-	-	(3,615)	(3,994)
Loans from a minority shareholder of a subsidiary company	(1,039)	(1,008)	-	-
Long term bank borrowings	(7,878)	(5,716)	-	-
Deferred tax liabilities	(351)	(254)	(76)	(65)
Provisions	(189)	(123)	(61)	-
	<u>(9,457)</u>	<u>(7,101)</u>	<u>(3,752)</u>	<u>(4,059)</u>
	<u>56,434</u>	<u>51,611</u>	<u>27,709</u>	<u>30,271</u>
<b>Equity</b>				
Share capital [see 1(d)(i)]	28,126	28,126	28,126	28,126
Treasury shares	(1,585)	-	(1,585)	-
Reserves	30,532	24,127	1,168	2,145
Shareholders' funds	<u>57,073</u>	<u>52,253</u>	<u>27,709</u>	<u>30,271</u>
Minority interests	(639)	(642)	-	-
	<u>56,434</u>	<u>51,611</u>	<u>27,709</u>	<u>30,271</u>

Non-current assets increased significantly mainly due to the purchase of plant and equipment as well as positive fair value adjustments in relation to the Group's quoted investment in RCR Tomlinson Ltd.

The carrying amount of goodwill was also translated at a higher exchange rate following the strengthening of the Australian dollar.

Net current assets decreased mainly due to an increase in bank borrowings as explained in 1(b)(ii) and accruals, lower receivables following improved collections as well as the realisation of assets classified as held-for-sale. This was offset by an increase in inventories following expansion of the fuel injection segment of the Engine Systems division.

Non-current liabilities increased as new bank borrowings were obtained to fund the acquisition of plant and equipment by the Oilfield Engineering division, net of repayment of bank loans.

During the period under review, the Company had accepted a conditional offer for the renewal of the lease of its existing premises situated at 182 Pandan Loop Singapore 128373 (the "Premises") from JTC Corporation for a further term of 27 years from 16 September 2009. Following the acceptance, the Company commissioned an independent valuation of the Premises. Based on the valuation report dated 25 October 2006, and assuming that the terms and conditions stated in the offer of renewal have been met and the extension of 27 years from the expiry of the current term has been granted, the Premises command a fair market value of S\$3.95m, which is S\$3.03m in excess of the net book value as at 30 September 2006. The surplus of S\$3.03m, however, has not been reflected in the financial statements given that the cost model, instead of revaluation model, continues to be used in accounting for the Company's property.



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**1(b)(ii) GROUP BORROWINGS**

	As at 30.09.06		As at 31.03.06	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less	5,676	2,884	5,575	1,282
Amount repayable after one year	7,878	-	5,716	-

**Details of any collateral:**

(i) Total bank borrowings in Australian dollars equivalent to S\$9,082,000 granted to a subsidiary company, S\$4,840,000 of which 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 sales 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\$4,472,000 granted to a second subsidiary company, S\$3,038,000 of which falls due after one year, are secured by the following :-

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

**Group's Borrowings:**

The Group's borrowings as at 30 September 2006 increased significantly from 31 March 2006 as new bank borrowings were secured to finance working capital as well as the purchase of plant and equipment by the Oilfield Engineering division.



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**1(c) CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 30 SEPTEMBER 2006**

	Group	
	6 months to 30.09.06 S\$'000	6 months to 30.09.05 S\$'000
<b>Cash flows from operating activities:</b>		
Profit from operations before taxation	3,424	957
Add/ (less):		
Depreciation of property, plant and equipment	1,421	2,338
Gain on sale of property, plant and equipment, net	(33)	(63)
Interest income	(41)	(41)
Interest expense	558	664
Dividend income	(1,275)	-
Loss on dilution of shareholding in associated company	-	31
Gain on disposition of discontinued operations	-	(448)
Share of results of associated company	-	(1,223)
<b>Operating profit before reinvestment in working capital</b>	<b>4,054</b>	<b>2,215</b>
Decrease/(increase) in receivables and prepayments	1,350	(589)
Increase in inventories	(3,588)	(2,469)
Increase in payables and accruals	768	3,947
Currency re-alignment	(179)	39
<b>Cash generated from operations</b>	<b>2,405</b>	<b>3,143</b>
Interest income received	41	41
Interest expense paid	(556)	(649)
Income taxes (paid) / refunded	(193)	72
<b>Net cash provided by operating activities</b>	<b>1,697</b>	<b>2,607</b>
<b>Cash flows from investing activities:</b>		
Dividends received	892	365
Purchase of property, plant and equipment	(3,482)	(1,152)
Proceeds from sale of property, plant and equipment	85	744
Loans granted to staff	(211)	(62)
Loans repaid by staff	74	150
Proceeds from disposition of discontinued operations	-	7,917
<b>Net cash (used in) / provided by investing activities</b>	<b>(2,642)</b>	<b>7,962</b>
<b>Cash flows from financing activities:</b>		
Dividends paid	(1,145)	(1,145)
Proceeds from bank borrowings	6,218	400
Repayment of bank borrowings	(1,841)	(8,062)
Share buyback	(1,599)	-
Proceeds from issuance of shares pursuant to exercise of options	11	-
Proceeds from loans from a minority shareholder of a subsidiary company	-	50
Repayment of loans from a minority shareholder of a subsidiary company	(45)	(168)
<b>Net cash provided by/(used in) financing activities</b>	<b>1,599</b>	<b>(8,925)</b>
Net change in cash and cash equivalents	654	1,644
Cash and cash equivalents at beginning of financial period	2,950	5,755
Effect of exchange rate changes on cash and cash equivalents	26	17
<b>Cash and cash equivalents at end of financial period</b>	<b>3,630</b>	<b>7,416</b>



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Note

Cash and cash equivalents consist of the following:-

	Group	
	As at 30.09.06	As at 30.09.05
	S\$'000	S\$'000
Fixed deposits	-	4,409
Cash at bank and in hand	3,630	3,007
	<u>3,630</u>	<u>7,416</u>

Net cash provided by operating activities for the period ended 30 September 2006 decreased mainly due to less favourable working capital movements and higher tax paid offset by higher cash flows generated from improved performance in Oilfield Engineering and Engine Systems divisions.

Net cash used in investing activities for the period ended 30 September 2006 arose mainly from purchase of plant and equipment for the Oilfield Engineering division and loans granted to staff, offset by dividends received from quoted investments. This compares against net cash provided by investing activities for the period ended 30 September 2005 due to proceeds of S\$7.92m received from the disposition of discontinued operations.

Net cash of S\$1.6m provided by financing activities arose mainly from :-

- net proceeds from bank borrowings;  
offset by
- S\$1.60m used in the share buyback exercise; and
- the payment of dividends



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**1(d)(i) STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 SEPTEMBER 2006**

<u>Group</u>	<u>Attributable to shareholders of the Company</u>							<u>Minority Interests</u> SS'000	<u>Total Equity</u> SS'000	
	<u>Share Capital</u> SS'000	<u>Share Premium</u> <sup>a</sup> SS'000	<u>Treasury Shares</u> <sup>b</sup> SS'000	<u>Foreign Currency Translation Reserve</u> SS'000	<u>Retained Earnings</u> SS'000	<u>Fair Value Adjustment Reserve</u> SS'000	<u>Other Reserve</u> <sup>z</sup> SS'000			<u>Shareholders' Funds</u> SS'000
<b>Balance as at 1 April 2005</b>										
As previously reported	23,861	4,265	-	1,559	4,880	-	-	34,565	(792)	33,773
Effect on adopting FRS 103	-	-	-	-	474	-	-	474	-	474
Effect on adopting FRS 39	-	-	-	-	5	-	-	5	-	5
<b>Balance as at 1 April 2005 (restated)</b>	23,861	4,265	-	1,559	5,359	-	-	35,044	(792)	34,252
Exchange difference on translation of overseas subsidiary companies	-	-	-	330	-	-	-	330	60	390
Net profit from operations	-	-	-	-	699	-	-	699	(29)	670
Share of reserves movement in associated company	-	-	-	-	(33)	-	-	(33)	-	(33)
Dividends paid in respect of previous financial year, less tax	-	-	-	-	(1,145)	-	-	(1,145)	-	(1,145)
<b>Balance as at 30 September 2005</b>	23,861	4,265	-	1,889	4,880	-	-	34,895	(761)	34,134
<b>Balance as at 1 April 2006</b>	28,126	-	-	662	8,044	15,421	-	52,253	(642)	51,611
Net gain on fair value changes	-	-	-	-	-	4,586	-	4,586	-	4,586
Exchange difference on translation of overseas subsidiary companies	-	-	-	594	-	-	-	594	(2)	592
Net profit from operations	-	-	-	-	2,373	-	-	2,373	5	2,378
Dividends paid in respect of previous financial year, less tax	-	-	-	-	(1,145)	-	-	(1,145)	-	(1,145)
Share buyback - held in treasury	-	-	(1,599)	-	-	-	-	(1,599)	-	(1,599)
Issuance of ordinary shares pursuant to exercise of options	-	-	14	-	-	-	(3)	11	-	11
<b>Balance as at 30 September 2006</b>	28,126	-	(1,585)	1,256	9,272	20,007	(3)	57,073	(639)	56,434

<u>Company</u>	<u>Share Capital</u> SS'000	<u>Share Premium</u> <sup>a</sup> SS'000	<u>Treasury Shares</u> <sup>b</sup> SS'000	<u>Retained Earnings</u> SS'000	<u>Other Reserve</u> <sup>z</sup> SS'000	<u>Shareholders' Funds</u> SS'000
<b>Balance as at 1 April 2005</b>	23,861	4,265	-	1,299	-	29,425
Net profit from operations	-	-	-	734	-	734
Dividends paid in respect of previous financial year, less tax	-	-	-	(1,145)	-	(1,145)
<b>Balance as at 30 September 2005</b>	23,861	4,265	-	888	-	29,014
<b>Balance as at 1 April 2006</b>	28,126	-	-	2,145	-	30,271
Net profit from operations	-	-	-	171	-	171
Dividends paid in respect of previous financial year, less tax	-	-	-	(1,145)	-	(1,145)
Share buyback - held in treasury	-	-	(1,599)	-	-	(1,599)
Issuance of ordinary shares pursuant to exercise of options	-	-	14	-	(3)	11
<b>Balance as at 30 September 2006</b>	28,126	-	(1,585)	1,171	(3)	27,709

<sup>a</sup> Under the Singapore Companies (Amendment) Act 2005, on 30 January 2006, any amount standing to the credit of the Company's share premium account shall become part of the Company's share capital.

<sup>b</sup> The Companies Act was amended to allow companies to hold Treasury Shares after 30 January 2006.

<sup>z</sup> Loss on disposal of Treasury Shares



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

Pursuant to the share buyback mandate approved by shareholders on 21 July 2006, the Company purchased 4,000,000 of its ordinary shares during the period under review. These shares are held as Treasury Shares by the Company. The shares were acquired by way of market acquisitions for a total consideration of S\$1.60m.

During the period under review, 37,000 ordinary shares were transferred out of Treasury Shares held by the Company upon the exercise of share options at the exercise price of S\$0.30 per share.

As at 30 September 2006, the total number of options outstanding is as follows:-

<u>Date of grant</u>	<u>No. of options outstanding</u>		<u>Expiry date</u>	<u>Exercise price per share</u>
	<u>As at 30.09.06 ('000)</u>	<u>As at 30.09.05 ('000)</u>		
16 October 2000	-	200	15 October 2005	S\$0.30
16 October 2000	509	546	15 October 2010	S\$0.30
31 July 2003	340	440	30 July 2008	S\$0.43
31 July 2003	990	1,155	30 July 2013	S\$0.43
	<u>1,839</u>	<u>2,341</u>		

**2 AUDIT**

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

**3 AUDITORS' REPORT**

Not Applicable

**4 ACCOUNTING POLICIES**

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 March 2006.

**5 CHANGES IN ACCOUNTING POLICIES**

Not applicable.

**6 EARNINGS PER ORDINARY SHARE (EPS)**

	<u>Group</u>	
	<u>6 months ended 30.09.06 (cents)</u>	<u>6 months ended 30.09.05 (cents)</u>
<u>Earnings / (loss) per ordinary share:-</u>		
Basic - Continuing operations	2.47	0.87
Basic - Discontinued operations	0.02	(0.14)
Basic - Total (Note A)	<u>2.49</u>	<u>0.73</u>
Diluted - Continuing operations	2.47	0.87
Diluted - Discontinued operations	0.02	(0.14)
Diluted - Total (Note B)	<u>2.49</u>	<u>0.73</u>

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<sup>#</sup> during the period under review :-

1HFY2007 - 95.147 m shares (1HFY2006 - 95.445 m 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 in issue<sup>#</sup> during the period under review (adjusted for the effects of dilutive potential ordinary shares being the share options granted to employees) :-

1HFY2007 - 95.252 m shares (1HFY2006 - 95.513 m shares)

<sup>#</sup> Treasury shares amounting to 3,963,000 as at 30 September 2006 are excluded from the computation of per share data

**7 NET ASSET VALUE**

	<u>Group</u>		<u>Company</u>	
	<u>30.09.06 (cents)</u>	<u>31.03.06 (cents)</u>	<u>30.09.06 (cents)</u>	<u>31.03.06 (cents)</u>
Net asset* value per ordinary share	62.39	54.75	30.29	31.72

\* Net asset refers to shareholders' funds



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**8 REVIEW OF GROUP PERFORMANCE**

**REVENUE**

The Group generated revenue of S\$32.42m in 1HFY07, 17% higher than that achieved in 1HFY06.

The increase in revenue was led chiefly by the Oilfield Engineering division which enjoyed significantly higher volumes of repair work amidst favourable market conditions. Contributions from the expanded component manufacturing segment, following the installation of new machining capabilities in early FY07, also provided a new engine of growth for the division.

The oilfield equipment rental operations also posted stronger revenue, driven by more aggressive marketing and offer of a wider range of oilfield equipment for rental.

The Engine Systems division also grew its revenue through the continued expansion into the distribution of automotive performance products as well as higher sales achieved in the fuel injection segment.

The increase in revenue was, however, moderated by the absence of contribution from the Subsea Robotics division following the discontinuance of its operations in FY06.

**PROFITABILITY**

The Group's net profit rose 255% from S\$0.67m in 1HFY06 to S\$2.38m in 1HFY07.

The leap in earnings was driven by strong earnings from the Oilfield Engineering division on the back of increased work volumes and improved job margins secured.

The Engine Systems division in Australia posted a strong recovery from its weak performance in 1HFY06, in line with its higher revenue and significant overhead savings achieved. In particular, the division benefited from the integration of its fuel injection activities into several key turbocharger branches during 1HFY07.

The absence of Subsea Robotics division's losses, as seen in 1HFY06, following the discontinuance of its operations in 2HFY06, also helped in 1HFY07's bottom line. The Group also received higher dividend income from its equity investment in RCR Tomlinson Ltd.

The profit increase was, however, offset by the absence of share of associate profit and gain on disposal of the ROV fleet of the Subsea Robotics recognised in 1HFY06.

**9 VARIANCE FROM PROSPECT STATEMENT**

No significant variance noted.

**10 PROSPECTS**

Oilfield Engineering division

Current level of oilfield equipment repair work volumes are likely to sustain well into 2HFY07. The Oilfield Engineering division will also enjoy a full contribution from its expanded component manufacturing capability in the second half year. The installation of the new machines with enhanced functionalities and tooling systems, which has been completed in 1HFY07, will also offer the division greater flexibility in taking on a broader spectrum of oilfield engineering services.

Engine Systems division

The Engine Systems division will continue to leverage on its existing branch network to engage in aggressive cross-selling of its turbocharger and fuel injection products. Efforts will also be undertaken to drive further cost savings across its operating segments.

Moving into 2HFY07, the Group is not expected to receive any further dividend from its equity investment in RCR Tomlinson Ltd.

**11 DIVIDENDS**

a) Any dividend declared for the present financial period? Yes

**Present Period**

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	1.0 cents per ordinary share, less tax
Tax Rate	20%

b) Any dividend declared for the previous corresponding period? Yes

**Previous Corresponding Period**

Name of Dividend	Interim, paid
Dividend Type	Cash
Dividend Rate	1.0 cents per ordinary share, less tax
Tax Rate	20%

c) Date payable

The interim dividend will be paid at a date to be announced later.

d) Books closure date

Notice will be given at a later date on the closure of the Shares Transfer Books and Register of members to determine shareholders' entitlement to the interim dividend.



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**16 INTERESTED PERSON TRANSACTIONS**

NIL

**17 COMPARATIVE FIGURES**

Certain comparative figures as at 31 March 2006 have been reclassified to reflect the nature of these items more appropriately.

**18 BOARD NEGATIVE ASSURANCE CONFIRMATION FOR 1HFY07 RESULTS**

The Board of MTQ Corporation Limited does hereby confirm that to the best of its knowledge, nothing has come to the attention of the Board which may render the half year financial results for the financial period ended 30 September 2006 to be false or misleading.

**BY ORDER OF THE BOARD**

Fong Choon Seng  
Company Secretary  
31.10.06