



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

Unaudited Half Year Financial Statements For The Period Ended 30 September 2005

1(a) STATEMENT OF PROFIT AND LOSS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2005

<u>GROUP</u>	<u>Continuing Operations</u>			<u>Discontinued Operations</u>			<u>Total</u>		
	<u>3 months to</u>	<u>3 months to</u>	<u>Change</u>	<u>3 months to</u>	<u>3 months to</u>	<u>Change</u>	<u>3 months to</u>	<u>3 months to</u>	<u>Change</u>
	<u>30.09.05</u>	<u>30.09.04</u>	<u>%</u>	<u>30.09.05</u>	<u>30.09.04</u>	<u>%</u>	<u>30.09.05</u>	<u>30.09.04</u>	<u>%</u>
	<u>S\$'000</u>	<u>S\$'000</u>		<u>S\$'000</u>	<u>S\$'000</u>		<u>S\$'000</u>	<u>S\$'000</u>	
Revenue	12,936	13,135	-2%	1,118	1,212	-8%	14,054	14,347	-2%
Other income / (expenses) (Note A)	69	90	-23%	(31)	(49)	-37%	38	41	-7%
	13,005	13,225	-2%	1,087	1,163	-7%	14,092	14,388	-2%
Cost of sales (Note B)	(7,868)	(7,879)	0%	(953)	(1,356)	-30%	(8,821)	(9,235)	-4%
	5,137	5,346	-4%	134	(193)	n/m	5,271	5,153	2%
Staff costs	(2,326)	(2,339)	-1%	(135)	(313)	-57%	(2,461)	(2,652)	-7%
Other operating expenses (Note C)	(2,626)	(2,037)	29%	(52)	(308)	-83%	(2,678)	(2,345)	14%
Profit / (loss) from operating activities	185	970	-81%	(53)	(814)	-93%	132	156	-15%
Finance costs (Note D)	(258)	(255)	1%	(59)	(78)	-24%	(317)	(333)	-5%
Gain on disposition (Note E)	-	-	n/m	448	-	n/m	448	-	n/m
(Loss) / profit from operations before share of results of associated company	(73)	715	n/m	336	(892)	n/m	263	(177)	n/m
Share of results of associated company	-	266	n/m	-	-	n/m	-	266	n/m
(Loss) / profit from operations before taxation	(73)	981	n/m	336	(892)	n/m	263	89	196%
Taxation (Note F)	184	(87)	n/m	(21)	-	n/m	163	(87)	n/m
Net profit / (loss) from operations	111	894	-88%	315	(892)	n/m	426	2	21200%
Attributable to:									
Shareholders of the Company	111	894	-88%	258	(690)	n/m	369	204	81%
Minority interests	-	-	n/m	57	(202)	n/m	57	(202)	n/m
	111	894	-88%	315	(892)	n/m	426	2	21200%

n/m : not meaningful



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STATEMENT OF PROFIT AND LOSS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2005

GROUP	Continuing Operations			Discontinued Operations			Total		
	6 months to	6 months to	Change	6 months to	6 months to	Change	6 months to	6 months to	Change
	30.09.05	30.09.04		30.09.05	30.09.04		30.09.05	30.09.04	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	25,249	25,078	1%	2,499	4,100	-39%	27,748	29,178	-5%
Other income / (expenses) (Note A)	137	153	-10%	(63)	(93)	-32%	74	60	23%
	<u>25,386</u>	<u>25,231</u>	<u>1%</u>	<u>2,436</u>	<u>4,007</u>	<u>-39%</u>	<u>27,822</u>	<u>29,238</u>	<u>-5%</u>
Cost of sales (Note B)	(15,561)	(15,687)	-1%	(2,375)	(4,037)	-41%	(17,936)	(19,724)	-9%
	<u>9,825</u>	<u>9,544</u>	<u>3%</u>	<u>61</u>	<u>(30)</u>	<u>n/m</u>	<u>9,886</u>	<u>9,514</u>	<u>4%</u>
Staff costs	(4,708)	(4,542)	4%	(306)	(588)	-48%	(5,014)	(5,130)	-2%
Other operating expenses (Note C)	(4,722)	(4,197)	13%	(200)	(234)	-15%	(4,922)	(4,431)	11%
Profit / (loss) from operating activities	<u>395</u>	<u>805</u>	<u>-51%</u>	<u>(445)</u>	<u>(852)</u>	<u>-48%</u>	<u>(50)</u>	<u>(47)</u>	<u>6%</u>
Finance costs (Note D)	(533)	(511)	4%	(131)	(149)	-12%	(664)	(660)	1%
Gain on disposition (Note E)	-	-	n/m	448	-	n/m	448	-	n/m
(Loss) / profit from operations before share of results of associated company	<u>(138)</u>	<u>294</u>	<u>n/m</u>	<u>(128)</u>	<u>(1,001)</u>	<u>-87%</u>	<u>(266)</u>	<u>(707)</u>	<u>-62%</u>
Share of results of associated company	1,223	1,060	15%	-	-	n/m	1,223	1,060	15%
Profit / (loss) from operations before taxation	<u>1,085</u>	<u>1,354</u>	<u>-20%</u>	<u>(128)</u>	<u>(1,001)</u>	<u>-87%</u>	<u>957</u>	<u>353</u>	<u>171%</u>
Taxation (Note F)	(256)	(243)	5%	(31)	-	n/m	(287)	(243)	18%
Net profit / (loss) from operations	<u>829</u>	<u>1,111</u>	<u>-25%</u>	<u>(159)</u>	<u>(1,001)</u>	<u>-84%</u>	<u>670</u>	<u>110</u>	<u>509%</u>
Attributable to:									
Shareholders of the Company	829	1,111	-25%	(130)	(772)	-83%	699	339	106%
Minority interests	-	-	n/m	(29)	(229)	-87%	(29)	(229)	-87%
	<u>829</u>	<u>1,111</u>	<u>-25%</u>	<u>(159)</u>	<u>(1,001)</u>	<u>-84%</u>	<u>670</u>	<u>110</u>	<u>509%</u>

n/m : not meaningful



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Note A - Other income comprise:-

	Group			Group		
	3 months to 30.09.05 S\$'000	3 months to 30.09.04 S\$'000	Change %	6 months to 30.09.05 S\$'000	6 months to 30.09.04 S\$'000	Change %
Interest income	28	23	22%	41	38	8%
Other income	10	18	-44%	33	22	50%
	<u>38</u>	<u>41</u>	<u>-7%</u>	<u>74</u>	<u>60</u>	<u>23%</u>

Note B - Cost of sales include :-

	Group			Group		
	3 months to 30.09.05 S\$'000	3 months to 30.09.04 S\$'000	Change %	6 months to 30.09.05 S\$'000	6 months to 30.09.04 S\$'000	Change %
Depreciation of property, plant and equipment	447	799	-44%	997	1,576	-37%

Note C - Other operating expenses include :-

	Group			Group		
	3 months to 30.09.05 S\$'000	3 months to 30.09.04 S\$'000	Change %	6 months to 30.09.05 S\$'000	6 months to 30.09.04 S\$'000	Change %
Depreciation of property, plant and equipment	648	258	151%	1,341	566	137%
(Gain) / loss on exchange, net	(18)	172	n/m	(201)	155	n/m
Allowance for doubtful debts and bad debts written off, net	28	59	-53%	20	51	-61%
Allowance for inventory obsolescence and inventories written back, net	71	56	27%	142	113	26%
(Profit) / loss on sale of property, plant and equipment, net	(60)	32	n/m	(63)	34	n/m
Loss on dilution of shareholding in associated company	15	-	n/m	31	4	675%
Provision for impairment loss of property, plant and equipment	-	91	n/m	-	91	n/m
Goodwill written off	-	5	n/m	-	5	n/m
Amortisation of goodwill	-	93	n/m	-	186	n/m

Note D - Finance costs comprise:-

	Group			Group		
	3 months to 30.09.05 S\$'000	3 months to 30.09.04 S\$'000	Change %	6 months to 30.09.05 S\$'000	6 months to 30.09.04 S\$'000	Change %
Interest on:						
- bank loans and overdrafts	312	327	-5%	649	649	0%
- loans from a minority shareholder of a subsidiary company	-	6	n/m	-	11	n/m
- others	5	-	n/m	15	-	n/m
	<u>317</u>	<u>333</u>	<u>-5%</u>	<u>664</u>	<u>660</u>	<u>1%</u>



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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 Oceanering 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\$8.75m, of which S\$7.92m has been received, net of costs. A balance of S\$0.37m will be paid by OI upon delivery of the replacement subsea unit for one of the ROV, namely, Super Mohawk 1.

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	
	6 months to 30.09.05	6 months to 30.09.04
	S\$'000	S\$'000
Operating	(1,192)	(52)
Investing	7,903	(14)
Financing	(6,322)	81
	389	15

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 30.09.05	3 months to 30.09.04	Change %	6 months to 30.09.05	6 months to 30.09.04	Change %
	S\$'000	S\$'000		S\$'000	S\$'000	
Underprovision / (overprovision) in respect of previous years:						
- current taxation	-	(20)	n/m	-	(104)	n/m
- deferred taxation	-	-	n/m	6	4	50%
	-	(20)	n/m	6	(100)	n/m



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1(b)(i) BALANCE SHEETS

	Group		Company	
	30.09.05 S\$'000	31.03.05 S\$'000	30.09.05 S\$'000	31.03.05 S\$'000
Share capital	23,861	23,861	23,861	23,861
Reserves	11,517	10,704	5,153	5,564
Shareholders' funds	35,378	34,565	29,014	29,425
Minority interests	(761)	(792)	-	-
	<u>34,617</u>	<u>33,773</u>	<u>29,014</u>	<u>29,425</u>
Represented by:				
Non-current assets				
Goodwill	7,219	7,168	-	-
Property, plant and equipment, net	9,731	19,012	1,338	1,502
Subsidiary companies	-	-	24,124	26,964
Associated company	12,542	11,138	-	-
Long term receivables	958	1,025	145	106
Deferred tax assets	921	539	-	-
	<u>31,371</u>	<u>38,882</u>	<u>25,607</u>	<u>28,572</u>
Current assets				
Inventories	10,394	8,029	-	-
Receivables	12,570	11,485	127	401
Tax recoverable	834	922	705	689
Fixed deposits	4,409	2,435	3,208	400
Cash at bank and in hand	3,007	3,320	140	119
	<u>31,214</u>	<u>26,191</u>	<u>4,180</u>	<u>1,609</u>
Current liabilities				
Trade and other payables	(14,182)	(10,220)	(701)	(684)
Short term bank borrowings	(4,041)	(7,279)	-	-
Long term bank borrowings, current portion	(2,701)	(3,985)	-	-
Loans from a minority shareholder of a subsidiary company	(1,272)	(1,390)	-	-
Provision for taxation	(459)	(67)	-	-
	<u>(22,655)</u>	<u>(22,941)</u>	<u>(701)</u>	<u>(684)</u>
Net current assets	8,559	3,250	3,479	925
Non-current liabilities				
Long term bank borrowings	(4,932)	(7,980)	-	-
Deferred tax liabilities	(381)	(379)	(72)	(72)
	<u>(5,313)</u>	<u>(8,359)</u>	<u>(72)</u>	<u>(72)</u>
	<u>34,617</u>	<u>33,773</u>	<u>29,014</u>	<u>29,425</u>

Non-current assets decreased significantly mainly due to the completion of the sale of its ROV fleet by the Subsea Robotics division as well as a property in Ipoh, Malaysia. Net investment in associated company also increased as the Group took up its share of the second half year results of RCR Tomlinson Ltd during 1QFY2006.

Net current assets increased mainly due to:

- (i) the increase in inventories and receivables;
- (ii) 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 as explained in 1(b)(ii).



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1(b)(ii) GROUP BORROWINGS

	As at 30.09.05		As at 31.03.05	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less	6,406	336	10,937	327
Amount repayable after one year	4,932	-	7,980	-

Details of any collateral:

(i) Total bank borrowings in Australian dollars equivalent to S\$10,638,000 granted to a subsidiary company of which S\$4,932,000 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\$700,000 granted to a second subsidiary company, all of which falls due within 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 30 September 2005 had decreased significantly from 31 March 2005 mainly due to the early repayment of bank borrowings by the Subsea Robotics division (through proceeds from the sale of its ROV fleet) offset by the translation of Australian dollar based borrowings at a higher exchange rate.



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1(c) CASH FLOW STATEMENT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2005

	Group	
	3 months to 30.09.05 S\$'000	3 months to 30.09.04 S\$'000
Cash flows from operating activities:		
Profit from operations before taxation	263	89
Add/ (less):		
Depreciation of property, plant and equipment	1,095	1,057
(Profit) / loss on sale of property, plant and equipment, net	(60)	32
Interest income	(28)	(23)
Interest expense	317	333
Loss on dilution of shareholding in associated company	15	-
Gain on disposition of discontinued operations	(448)	-
Goodwill written off	-	5
Share of results of associated company	-	(266)
Provision for impairment of property, plant & equipment	-	91
Amortisation of goodwill	-	93
Operating profit before reinvestment in working capital	1,154	1,411
(Increase) / decrease in receivables	(651)	75
(Increase) / decrease in inventories	(1,036)	231
Increase in payables	2,406	1,319
Currency re-alignment	21	91
Cash generated from operations	1,894	3,127
Interest income received	28	23
Interest expense paid	(312)	(327)
Income taxes refunded / (paid)	74	(208)
Net cash provided by operating activities	1,684	2,615
Cash flows from investing activities:		
Purchase of property, plant and equipment	(818)	(1,455)
Proceeds from sale of property, plant and equipment	737	52
Loans repaid by / (given to) staff, net	21	(48)
Dividends received from associated company	365	280
Proceeds from disposition of discontinued operations	7,917	-
Acquisition of additional shares in a subsidiary company	-	(69)
Net cash provided by / (used in) investing activities	8,222	(1,240)
Cash flows from financing activities:		
Dividends paid	(1,145)	(1,145)
(Repayment of) / proceeds from bank overdrafts, secured	(1,040)	437
Repayment of bank loans, net	(5,787)	(756)
Repayment of loans from a minority shareholder of a subsidiary company, net	(168)	-
Net cash used in financing activities	(8,140)	(1,464)
Net change in cash and cash equivalents	1,766	(89)
Cash and cash equivalents at beginning of financial period	5,650	10,374
Cash and cash equivalents at end of financial period	7,416	10,285



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

	Group	
	As at 30.09.05	As at 30.09.04
	S\$'000	S\$'000
Fixed deposits	4,409	7,024
Cash at bank and in hand	3,007	3,261
	7,416	10,285

Net cash provided by operating activities decreased significantly in 2QFY2006 mainly due to less favourable working capital movements.

Net cash provided by investing activities during 2QFY2006 came from the proceeds from the disposal of the ROV fleet as well as the property in Ipoh, Malaysia. Dividends received from its associated company were also higher than 2QFY2005. Investment in plant and equipment was also lower following the completion of the business integration process of the Engine Systems division.

Net cash of S\$8.14m used in financing activities arose mainly from the early repayment of bank borrowings by the Subsea Robotics division as explained under 1b(ii).

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

<u>Group</u>	<u>Attributable to shareholders of the Company</u>					Minority Interests S\$'000	Total Equity S\$'000
	Share Capital S\$'000	Share Premium S\$'000	Foreign Currency Translation Reserve S\$'000	Retained Earnings S\$'000	Shareholders' Funds S\$'000		
Balance as at 1 July 2004	23,861	4,265	812	9,058	37,996	658	38,654
Exchange difference on translation of overseas subsidiary companies	-	-	(103)	-	(103)	(38)	(141)
Net profit from operations	-	-	-	204	204	(202)	2
Dilution of minority interests in a subsidiary company	-	-	-	-	-	(64)	(64)
Dividends paid in respect of previous financial year, less tax	-	-	-	(1,145)	(1,145)	-	(1,145)
Balance as at 30 September 2004	23,861	4,265	709	8,117	36,952	354	37,306
Balance as at 1 July 2005	23,861	4,265	1,718	6,139	35,983	(877)	35,106
Exchange difference on translation of overseas subsidiary companies	-	-	171	-	171	59	230
Net profit from operations	-	-	-	369	369	57	426
Dividends paid in respect of previous financial year, less tax	-	-	-	(1,145)	(1,145)	-	(1,145)
Balance as at 30 September 2005	23,861	4,265	1,889	5,363	35,378	(761)	34,617

<u>Company</u>	Share Capital S\$'000	Share Premium S\$'000	Retained Earnings S\$'000	Shareholders' Funds S\$'000
	Balance as at 1 July 2004	23,861	4,265	7,079
Net loss from operations	-	-	(160)	(160)
Dividends paid in respect of previous financial year, less tax	-	-	(1,145)	(1,145)
Balance as at 30 September 2004	23,861	4,265	5,774	33,900
Balance as at 1 July 2005	23,861	4,265	1,162	29,288
Net profit from operations	-	-	871	871
Dividends paid in respect of previous financial year, less tax	-	-	(1,145)	(1,145)
Balance as at 30 September 2005	23,861	4,265	888	29,014

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

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

<u>Date of grant</u>	<u>No. of options</u> <u>outstanding</u>		<u>Expiry date</u>	<u>Exercise price</u> <u>per share</u>
	<u>As at</u>	<u>As at</u>		
	<u>30.09.05</u> <u>('000)</u>	<u>30.09.04</u> <u>('000)</u>		
16 October 2000	200	200	15 October 2005	S\$0.30
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
	<u>2,341</u>	<u>2,691</u>		

2 AUDIT

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

3 AUDITORS' REPORT

Not Applicable

4 ACCOUNTING POLICIES

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

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

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

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

(ii) FRS 103 - Business Combinations

Under FRS 103, goodwill arising from business combinations as recorded in the balance sheet of the Group is no longer required to be amortised and charged to the income statement. Instead, such goodwill will be tested for impairment in accordance with revised 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 half year ended 30 September 2005 (Half year ended 30 September 2004: S\$186,000).

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) Other improvements to FRS applicable from 1 January 2005

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

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

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

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Unaudited Half Year Financial Statements For The Period Ended 30 September 2005**5 CHANGES IN ACCOUNTING POLICIES**

As discussed above.

6 EARNINGS PER ORDINARY SHARE (EPS)

	Group		Group	
	3 months ended 30.09.05 (cents)	3 months ended 30.09.04 (cents)	6 months ended 30.09.05 (cents)	6 months ended 30.09.04 (cents)
<u>Earnings / (loss) per ordinary share:-</u>				
Basic - Continuing operations	0.12	0.93	0.87	1.18
Basic - Discontinued operations	0.27	(0.72)	(0.14)	(0.82)
Basic - Total (Note A)	<u>0.39</u>	<u>0.21</u>	<u>0.73</u>	<u>0.36</u>
Diluted - Continuing operations	0.12	0.93	0.87	1.17
Diluted - Discontinued operations	0.27	n/a	n/a	n/a
Diluted - Total (Note B)	<u>0.39</u>	<u>0.21</u>	<u>0.73</u>	<u>0.36</u>

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 :-

2QFY06 - 95.445m shares (2QFY05 - 95.445m shares)

1HFY06 - 95.445m shares (1HFY05 - 94.401m 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) :-

2QFY06 - 95.533m shares (2QFY05 - 95.594m shares)

1HFY06 - 95.513m shares (1HFY05 - 94.578m shares)

7 NET ASSET VALUE

	Group		Company	
	30.09.05 (cents)	31.03.05 (cents)	30.09.05 (cents)	31.03.05 (cents)
Net asset* value per ordinary share based on issued share capital	37.07	36.21	30.40	30.83

* Net asset refers to shareholders' funds.



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8 REVIEW OF GROUP PERFORMANCE

REVENUE

2QFY06 vs 2QFY05

The Group registered a revenue of S\$14.05m for 2QFY06, a marginal slide of 2% from that achieved in 2QFY05.

The decline was mainly attributable to lower sales activities in the Engine Systems division. The Subsea Robotics division also recorded lower fleet revenue following the completion of its ROV fleet divestment on 13 September 2005.

The shortfall in revenue was, however, substantially mitigated by the increase in repair work volumes in the Oilfield Engineering division amidst buoyant oil and gas exploration activities in the region.

1HFY06 vs 1HFY05

Year-to-date, the Group achieved a revenue of S\$27.75m for the half year ended 30 September 2005, a 5% decline over the comparative period.

The decrease was driven by lower revenue contributions from both the Engine Systems and Subsea Robotics divisions, offset by improved performance in the Oilfield Engineering division.

PROFITABILITY

2QFY06 vs 2QFY05

The Group recorded an improvement in its profit before taxation for 2QFY06 after accounting for a gain of S\$0.45m arising from the disposition of the ROV assets of the Subsea Robotics division. The divestment also translated into lower operating losses from the division (as reflected under "Discontinued Operations").

Performance of the Group's continuing operations, however, fell significantly during the quarter.

Following adoption of the new accounting standard, FRS 103 – Business Combinations, the Group no longer recognizes credits to its profit & loss arising from the negative goodwill included in its existing investment in RCR Tomlinson Ltd. Negative goodwill of S\$0.27m was recognised in the comparative quarter under "share of results of associated company".

Lower sales activities in the turbocharger and fuel injection activities, coupled with significantly higher depreciation charges from the investment in its new IT infrastructure, continued to weigh in on the results of the Engine Systems division. Additional contribution from its expansion into the complementary automotive performance vehicle market, however, helped trimmed its losses during the quarter (compared to 1QFY06).

The Oilfield Engineering division witnessed a decline in profit contributions from its oilfield equipment rental segment following the expiry of a key rental contract in August 2005.

Notwithstanding this, the division continued to post strong earnings during the quarter as robust demand for its repair services and improved work efficiencies provided leverage for both higher turnover as well as job margins.

The decline in profit was also offset by positive exchange movements and tax credits recognised during the quarter.

1HFY06 vs 1HFY05

The Group registered a profit before taxation of S\$0.96m for 1HFY06, 171% higher than that achieved in 1HFY05.

The improvement was mainly attributable to the gain on disposition of the ROV fleet, stronger earnings from the Oilfield Engineering division as well as the Group's share of a stronger set of associate results.

The increase was, however, offset by weaker performance in the Engine Systems division.



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9 VARIANCE FROM PROSPECT STATEMENT

No significant variance noted.

10 PROSPECTS

Progressing into 3QFY06, the Group will continue to enjoy strong contributions from its Oilfield Engineering division as the existing repair work volumes are expected to sustain well into the second half year. Active marketing efforts are also being expended to secure new rental contracts and expand the existing customer base of its equipment rental operations.

Meanwhile, performance of the Engine Systems division is expected to recover following the successful completion of its business integration programme in September 2005, albeit at a gradual pace. The division will also intensify its expansion efforts into the complementary automotive performance vehicle market.

The divestment of the ROV fleet of the Subsea Robotics division during 2QFY06 will also eliminate any further losses from its fleet-based operations in the coming quarter.

11 DIVIDENDS

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

Present Period

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	4% per ordinary share, less tax
Par Value of Shares	S\$0.25
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	4% per ordinary share, less tax
Par Value of Shares	S\$0.25
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 Transfers Books and Register of Members to determine shareholders' entitlements to the interim dividend.

BY ORDER OF THE BOARD

Fong Choon Seng
Company Secretary
27.10.05