



**MTQ CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)

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**Unaudited First Quarter Financial Statements And Dividend Announcement**

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**1(a) STATEMENT OF PROFIT AND LOSS FOR THE FIRST QUARTER ENDED 30 JUNE 2004**

	Group		
	3 months to 30.06.04 S\$'000	3 months to 30.06.03 S\$'000	Change %
Revenue	14,831	12,017	23%
Other income (Note A)	19	12	58%
	<hr/>	<hr/>	
	14,850	12,029	23%
Cost of sales (Note B)	(10,489)	(7,649)	37%
	<hr/>	<hr/>	
	4,361	4,380	0%
Staff costs	(2,478)	(2,103)	18%
Other operating expenses (Note C)	(2,086)	(1,285)	62%
(Loss) / profit from operating activities	<hr/>	<hr/>	
	(203)	992	n/m
Interest on borrowings (Note D)	(327)	(247)	32%
	<hr/>	<hr/>	
	(530)	745	n/m
Share of results of associated company	794	-	n/m
Profit from operations before taxation	<hr/>	<hr/>	
	264	745	-65%
Taxation (Note E)	(156)	(240)	-35%
Net profit from operations	<hr/>	<hr/>	
	108	505	-79%
Minority interests	27	58	-53%
Net profit attributable to shareholders	<hr/>	<hr/>	
	135	563	-76%

n/m : not meaningful



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Note A - Other income comprises:-

Interest income  
Other income

Group		
3 months to 30.06.04	3 months to 30.06.03	Change
S\$'000	S\$'000	%
15	10	50%
4	2	100%
<u>19</u>	<u>12</u>	<u>58%</u>

Note B - Cost of sales include :-

Depreciation of property, plant and equipment

Group		
3 months to 30.06.04	3 months to 30.06.03	Change
S\$'000	S\$'000	%
777	699	11%

Note C - Other operating expenses include:-

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

Group		
3 months to 30.06.04	3 months to 30.06.03	Change
S\$'000	S\$'000	%
308	225	37%
93	31	200%
(17)	(643)	-97%
(8)	134	n/m
57	29	97%
2	-	n/m
4	-	n/m

Note D - Interest on borrowings comprises:-

Interest on bank loans and overdrafts  
Interest on loan from minority shareholder of a subsidiary company  
Interest on finance leases

Group		
3 months to 30.06.04	3 months to 30.06.03	Change
S\$'000	S\$'000	%
322	241	34%
5	3	67%
-	3	n/m
<u>327</u>	<u>247</u>	<u>32%</u>

Note E - Amount of any adjustment for under or overprovision of tax in respect of prior years:-

(Overprovision) / underprovision in respect of previous years:  
- current taxation  
- deferred taxation

Group		
3 months to 30.06.04	3 months to 30.06.03	Change
S\$'000	S\$'000	%
(84)	-	n/m
4	(55)	n/m
<u>(80)</u>	<u>(55)</u>	<u>n/m</u>



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

	Group		Company	
	30.06.04 S\$'000	31.03.04 S\$'000	30.06.04 S\$'000	31.03.04 S\$'000
Share capital	23,861	19,887	23,861	19,887
Reserves	14,135	12,390	11,344	9,198
Shareholders' funds	<u>37,996</u>	<u>32,277</u>	<u>35,205</u>	<u>29,085</u>
Minority interests	658	691	-	-
	<u>38,654</u>	<u>32,968</u>	<u>35,205</u>	<u>29,085</u>
Represented by:				
Non-current assets				
Goodwill	6,868	7,458	-	-
Property, plant and equipment, net	24,711	25,298	1,796	1,882
Subsidiary companies	-	-	26,316	26,045
Associated company	7,323	7,234	-	-
Other receivables	375	228	126	48
Deferred tax assets	350	356	-	-
	<u>39,627</u>	<u>40,574</u>	<u>28,238</u>	<u>27,975</u>
Current assets				
Inventories and work-in-progress	6,997	7,666	-	-
Receivables	11,262	11,181	426	415
Tax Recoverable	730	729	721	721
Fixed deposits	8,896	3,809	6,086	502
Cash at bank and in hand	1,803	2,446	317	209
	<u>29,688</u>	<u>25,831</u>	<u>7,550</u>	<u>1,847</u>
Current liabilities				
Trade and other payables	(8,616)	(10,707)	(451)	(605)
Short-term bank borrowings	(5,711)	(4,760)	-	-
Long-term bank borrowings, current portion	(3,576)	(3,649)	-	-
Finance lease payables	-	(1)	-	-
Loan from minority shareholder of its subsidiary company	(1,371)	(1,386)	-	-
Provision for taxation	(257)	(606)	-	-
	<u>(19,531)</u>	<u>(21,109)</u>	<u>(451)</u>	<u>(605)</u>
Net current assets	10,157	4,722	7,099	1,242
Non-current liabilities				
Long-term bank borrowings	(10,611)	(11,869)	-	-
Deferred tax liabilities	(519)	(459)	(132)	(132)
	<u>(11,130)</u>	<u>(12,328)</u>	<u>(132)</u>	<u>(132)</u>
Net assets	<u>38,654</u>	<u>32,968</u>	<u>35,205</u>	<u>29,085</u>

Share capital has increased significantly pursuant to the share placement exercise carried out by the Company on 13 April 2004. A total of 15,871,000 new ordinary shares of S\$0.25 each have been issued.

The increase in current assets was mainly attributable to proceeds received from the share placement exercise.

Current and non-current liabilities declined mainly with the repayment of bank loans offset by higher utilisation of bank overdrafts and timing of payment to creditors.



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

	As at 30.06.04		As at 31.03.04	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	8,962	325	8,160	250
Amount repayable after one year	10,611	-	11,869	-

**Details of any collateral:**

(i) Total bank borrowings of S\$11,278,000 granted to a subsidiary company 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 to the bank;
- legal charge over the equity interest held by the subsidiary company in another body corporate;
- corporate guarantee from the Company;
- fixed and floating charge over the assets of the subsidiary company; and
- deed of subordination from a fellow subsidiary company.

(ii) Total bank borrowings of S\$6,491,000 granted to a second subsidiary company are secured by the following :-

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

(iii) Total bank borrowings of S\$1,804,000 granted to a third subsidiary company are secured by the following :-

- fixed charge on certain workshop equipment purchased with part of the bank borrowings;
- corporate guarantee provided by the Company; and
- deed of subordination from the Company

**Group's Borrowings:**

The Group's aggregate borrowings consists of borrowings from financial institutions and finance lease payables. As at 30 June 2004, the Group's borrowings have decreased mainly due to the repayment of term loans offset by higher utilisation of bank overdrafts. Borrowings of the Group's subsidiary company in Australia were also translated at a lower exchange rate due to a weaker Australian-dollar.



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**1(c) CASH FLOW STATEMENT FOR THE FIRST QUARTER ENDED 30 JUNE 2004**

	Group	
	3 months to 30.06.04 S\$'000	3 months to 30.06.03 S\$'000
<b>Cash flows from operating activities:</b>		
Profit from operations before taxation	264	745
Add/ (less):		
Depreciation of property, plant and equipment	1,085	924
Amortisation of goodwill	93	31
Interest income	(15)	(10)
Interest expense	327	247
Share of results of associated company	(794)	-
Loss on dilution of shareholding in associated company	4	-
Loss on sale of property, plant & equipment, net	2	-
<b>Operating income before reinvestment in working capital</b>	966	1,937
Increase in receivables	(81)	(1,989)
Decrease / (increase) in inventories and work-in-progress	669	(58)
(Decrease) / increase in payables	(2,091)	190
Currency re-alignment	(221)	(262)
<b>Cash (used in) / provided by operations</b>	(758)	(182)
Interest income received	15	10
Interest expense paid	(322)	(247)
Income taxes paid	(231)	(171)
<b>Net cash used in operating activities</b>	(1,296)	(590)
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(809)	(609)
(New staff loans) / repayment of staff loans, net	(148)	22
Proceeds from sale of property, plant and equipment	116	-
Acquisition of additional shares in associated company	-	(1,079)
<b>Net cash used in investing activities</b>	(841)	(1,666)
<b>Cash flows from financing activities:</b>		
(Repayment of) / proceeds from bank overdrafts, secured	(14)	702
Repayment of finance leases	(1)	(24)
Proceeds from / (repayment of) bank loans, secured	264	(188)
Proceeds from issuance of new shares, net	6,277	47
(Repayment of) / proceeds from loan from minority shareholder of a subsidiary company, net	(20)	334
<b>Net cash provided by financing activities</b>	6,506	871
Net change in cash and cash equivalents	4,369	(1,385)
Cash and cash equivalents at beginning of financial period	6,005	10,685
Cash and cash equivalents at end of financial period	10,374	9,300

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

	Group	
	As at 30.06.04 S\$'000	As at 30.06.03 S\$'000
Fixed deposits	8,896	6,203
Cash at bank and in hand	1,803	3,117
Overdrafts, unsecured	(325)	(20)
	10,374	9,300

Higher cash used in operating activities was mainly due to weaker operating performance.

Net cash used in investing activities for 1QFY2005 was lower than 1QFY2004 which saw the acquisition of additional shares in associated company, RCR Tomlinson Limited.

Net cash provided by financing activities was significantly higher than comparative period mainly due to the proceeds from the share placement exercise on 13 April 2004.



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1(d)(i) **STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 30 JUNE 2004**

<u>Group</u>	<u>Share Capital</u>	<u>Share Premium</u>	<u>Foreign Currency Translation Reserves</u>	<u>Retained Earnings</u>	<u>Share Capital &amp; Reserves</u>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance as at 1 April 2003</b>	19,800	1,944	701	8,845	31,290
Exchange difference on translation of overseas subsidiary companies	-	-	292	-	292
Issuance of ordinary shares pursuant to exercise of options	39	8	-	-	47
Net profit attributable to shareholders	-	-	-	563	563
Dividends paid in respect of previous financial year, less tax	-	-	-	(928)	(928)
<b>Balance as at 30 June 2003</b>	<b>19,839</b>	<b>1,952</b>	<b>993</b>	<b>8,480</b>	<b>31,264</b>
<b>Balance as at 1 April 2004</b>	19,887	1,962	1,505	8,923	32,277
Exchange difference on translation of overseas subsidiary companies	-	-	(693)	-	(693)
Issuance of ordinary shares pursuant to exercise of options	6	1	-	-	7
Issuance of ordinary shares pursuant to share placement	3,968	2,302	-	-	6,270
Net profit attributable to shareholders	-	-	-	135	135
<b>Balance as at 30 June 2004</b>	<b>23,861</b>	<b>4,265</b>	<b>812</b>	<b>9,058</b>	<b>37,996</b>

  

<u>Company</u>	<u>Share Capital</u>	<u>Share Premium</u>	<u>Retained Earnings</u>	<u>Share Capital &amp; Reserves</u>
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance as at 1 April 2003</b>	19,800	1,944	10,697	32,441
Issuance of ordinary shares pursuant to exercise of options	39	8	-	47
Net loss attributable to shareholders	-	-	(102)	(102)
Dividends paid in respect of previous financial year, less tax	-	-	(928)	(928)
<b>Balance as at 30 June 2003</b>	<b>19,839</b>	<b>1,952</b>	<b>9,667</b>	<b>31,458</b>
<b>Balance as at 1 April 2004</b>	19,887	1,962	7,236	29,085
Issuance of ordinary shares pursuant to exercise of options	6	1	-	7
Issuance of ordinary shares pursuant to share placement	3,968	2,302	-	6,270
Net loss attributable to shareholders	-	-	(157)	(157)
<b>Balance as at 30 June 2004</b>	<b>23,861</b>	<b>4,265</b>	<b>7,079</b>	<b>35,205</b>



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

During 1QFY2005, the Company issued and allotted 25,000 ordinary shares of S\$0.25 each upon the exercise of options granted under the Metalock Executives' Share Option Scheme. This scheme was replaced by the MTQ Corporation Executives' Share Option Scheme 2003 in April 2003. Options granted under the previous scheme shall, however, continue to be exercisable in accordance with the terms of the previous scheme.

On 13 April 2004, the Company issued 15,871,000 new ordinary shares of S\$0.25 each pursuant to a private share placement exercise. As a result of the share placement exercise and the exercise of employees' share options, the Company's share capital was increased to 95,445,000 shares of S\$0.25 each as at 30 June 2004.

The total number of options outstanding as at 30 June 2004 under both Schemes are as follows:-

<u>Date of grant</u>	<u>No. of shares that may be issued upon</u>		<u>Expiry date</u>	<u>Exercise price per share</u>
	<u>exercising all outstanding options</u>			
	<u>As at 30.06.04</u>	<u>As at 30.06.03</u>		
	<u>('000)</u>	<u>('000)</u>		
15 October 2000	200	200	15 October 2005	S\$0.30
15 October 2000	686	905	15 October 2010	S\$0.30
31 July 2003	440	-	30 July 2008	S\$0.43
31 July 2003	1,465	-	30 July 2013	S\$0.43
	<u>2,791</u>	<u>1,105</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 2004.

**5 CHANGES IN ACCOUNTING POLICIES**

Not Applicable



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

	<b>Group</b>	
	<b>3 months ended 30.06.04 (cents)</b>	<b>3 months ended 30.06.03 (cents)</b>
Earnings per ordinary share:-		
- Based on weighted average number of ordinary shares on issue (Note A)	0.14	0.71
- On a fully diluted basis (Note B)	0.14	0.71

Note A

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

YTD June 2004 - 93.346m shares (YTD June 2003 - 79.250m shares)

Note B

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

YTD June 2004 - 93.554m shares (YTD June 2003 - 79.560m shares)

**7 NET ASSET VALUE**

	<b>Group</b>		<b>Company</b>	
	<b>30.06.04 (cents)</b>	<b>31.03.04 (cents)</b>	<b>30.06.04 (cents)</b>	<b>31.03.04 (cents)</b>
Net asset value per ordinary share based on issued share capital	39.81	40.57	36.89	36.56

**8 REVIEW OF GROUP PERFORMANCE**

**TURNOVER**

Turnover for the Group increased to S\$14.8m for 1QFY2005, an increase of 23% over that of 1QFY2004.

During the quarter, the Engine Systems division enjoyed strong revenue contributions from the fuel injection business of the Adelaide Fuel Injection Group ("AFI Group") which was acquired in October 2003.

Following the completion of its fleet relocation to concentrate on the Asian and Middle Eastern markets, an improvement was also noted in Subsea Robotics division's revenue contributions in 1QFY2005.

The overall improvement was, however, moderated by reduced revenue contributions from the Oilfield Engineering division as a result of the slowdown in the oilfield equipment repair segment.

**PROFITABILITY**

Despite a higher turnover in 1QFY2005, the Group posted a profit before tax ("PBT") of S\$0.3m in 1QFY2005, compared with a PBT of S\$0.7m achieved in 1QFY2004.

The lower profit was mainly attributable to significantly lower exchange gains as well as weaker performances in the Engine Systems and Oilfield Engineering divisions.

In addition to the market slowdown, the Oilfield Engineering division also experienced pressure on its job margins due to intense competition and increased costs.

Performance of the Engine Systems division's operations in Australia suffered as volatility in its large frame turbocharger segment reduced earnings during the quarter. Unavoidably, the integration of the turbocharger and fuel injection businesses took up management time and incurred additional costs. However these costs should be recouped as operational efficiencies and synergies accrue to the division in the longer term.

On a positive note, the move by Subsea Robotics division to concentrate on the Asian and Middle Eastern markets has reduced overheads and pared down the division's loss.

During the quarter, the Group also took up its share of the after-tax results of its associated company, RCR Tomlinson Ltd ("RCR"), between 1 January 2004 to 30 June 2004 and recognised S\$0.3m of negative goodwill arising from the acquisition of RCR shares.





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**9**     **VARIANCE FROM PROSPECT STATEMENT**  
No variance noted.

**10**    **PROSPECTS**

While intense market competition in the oilfield repair sector is not likely to ease in the near term, any adverse impact is likely to be moderated by incremental contributions from new revenue sources as the Oilfield Engineering division expands the scope of its services.

The Engine Systems division in Australia will see further progress on its business integration processes. The performance of the division is expected to pick up as business integration reaches an advanced phase of completion.

Notwithstanding the cost savings derived from the restructuring of the division's operations in Aberdeen, the Subsea Robotics division is unlikely to make a turnaround unless there are significant increases in the supply value chain. The division is actively seeking alliances with other service providers to increase the range and scope of its business activities.

The Group will continue to benefit from its share of the results of RCR Tomlinson Ltd.

Barring unforeseen circumstances, the Group is expected to remain profitable in the current financial year.

**11**    **DIVIDENDS**

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

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

c) Date payable  
Not Applicable

d) Books closure date  
Not Applicable

**BY ORDER OF THE BOARD**

Fong Choon Seng  
Company Secretary  
14.08.04