



MTQ CORPORATION LIMITED
(Co. Reg No. : 196900057Z)

PRESS RELEASE

MTQ REPORTS 2nd QUARTER PROFIT OF S\$204,000
ANNOUNCES INTERIM DIVIDEND OF 4%

SINGAPORE – 28 OCTOBER 2004 – Mainboard-listed engineering group MTQ Corporation Limited today reported a 2nd quarter profit of S\$204,000, bringing its half-year performance to S\$339,000. The 2QFY2005 results represented a 48% decline from that achieved in the comparative quarter despite a 17% growth in revenue over the same period, undermined principally by weaker performance in its Subsea Robotics division.

Lower fleet-based activities during the quarter translated into lower recovery of fixed costs in the Subsea Robotics division. The exercise conducted in late FY2004 to focus on the Asian and Middle Eastern markets could not provide sufficient leverage to turn the division around despite significant overhead reduction.

“Producers and drilling contractors are exercising tighter discipline on operational expenditure, driving greater demand for integrated service providers who are able to offer a comprehensive spectrum of subsea engineering services. This has put the division in a fairly precarious position as a mere ROV operator,” said Mr K.K. Kuah, Chairman and CEO of MTQ Group, adding “We have to elevate our market position in the subsea supply chain to avoid being relegated as a sub-contractor to these service providers, and having to compromise on job margins and less favourable commercial terms. To this end, we are actively seeking strategic alliances with other providers of complementary activities.”

Significant management time and costs were invested into the business integration programme for Engine Systems division, targeted to achieve long term synergistic benefits across its turbocharger and fuel injection businesses. This, coupled with volatility in its large frame turbocharger operations, has impacted the short-term performance of the division and diluted strong contributions from the fuel injection segment during 2QFY2005.

Going forward, the division will remain susceptible to such volatility in its large frame turbocharger operations and increased competitive forces arising from the influx of cheaper imports into Australia. Notwithstanding this, performance of the division is expected to remain healthy in 2HFY2005 as the business integration programme continues towards completion.

Meanwhile, the Oilfield Engineering division registered a marked improvement in its 2QFY2005 results. Efforts to expand its earnings base saw Oilfield Engineering division extending its scope of services to provide leasing of certain oilfield equipment during the quarter. This initiative has demonstrated encouraging revenue and earnings prospects to-date. The division is also anticipating a gradual recovery of its repair job volumes in the second half year as oil and gas exploration and production activities regain momentum following a significant lag behind record high oil prices and as increased rig utilisation translates into higher repair requirements.

As a significant portion of the Group's earnings is derived offshore, negative exchange movements in these local currencies also had an adverse bearing on the Group's performance. The current quarter performance also included a S\$91,000 provision for impairment in value of a surplus property in Ipoh, Malaysia, following the winding down of the foundry operations there in FY2002.

During 2QFY2005, MTQ recognized negative goodwill of S\$266,000 arising from the acquisition of shares in its associated company, RCR Tomlinson Limited.

The Group is expected to benefit from RCR's profit target of A\$4.5m for the year ending 30 June 2005, following its acquisition of an engineering company, Stelform Engineering Pty Ltd. Stelform is involved in pipe spooling; design and fabrication of heat exchangers and pressure parts; as well as on-site installation and maintenance of high temperature plant and pressure retaining equipment. The acquisition will increase RCR's capacity to service various sectors and will provide synergies with its existing operations in the areas of marketing and engineering design.

Barring unforeseen circumstances, the Group's operations are expected to improve in the second half of the current financial year.

The Directors have declared an interim dividend of 4% less tax to be paid in respect of the current financial year.

Contact Information

Kuah Kok Kim, Chairman & CEO

kkkuah@mtq.com.sg

William Fong, Group Financial Controller

williamfong@mtq.com.sg

Tel: 6777 7651 Fax: 6777 6433

MTQ Corporation Limited Group specialises in engineering services, and is primarily involved in oilfield equipment repairs and leasing as well as the design, production and operation of subsea remotely operated vehicles. The Group also owns the leading independent supplier of turbocharger and fuel injection parts and services in Australia.