



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

PRESS RELEASE

MTQ RETURNS TO PROFITABILITY
WITH 1ST QUARTER EARNINGS OF S\$330,000

SINGAPORE – 13 AUGUST 2005 – Mainboard-listed engineering group MTQ Corporation Limited today reported a net profit attributable to shareholders of S\$330,000 for the 1st quarter ended 30 June 2005 – 144% higher than that achieved in the prior comparative quarter, despite deeper losses from its Subsea Robotics division. The profit was lifted largely by record contribution from its associated company, RCR Tomlinson Ltd, which enjoyed brimming workflows from a buoyant resource sector in Australia. Higher exchange gains also strengthened the Group's earnings for the quarter.

The Group's Oilfield Engineering division also kept up its growth momentum during the quarter. The bustle in the oil and gas activities continues to favour its repair operations and provided good leverage for improved job margins despite increasing material costs. Contribution from the oilfield equipment rental segment, which was absent in 1QFY2005, also supplemented the division's 1QFY2006 earnings. While the expiry of a key rental contract in 2QFY2006 may dilute recurring contributions from the equipment leasing operation in the second half year, efforts to broaden its earnings base will benefit the division and reduce its reliance on key rental contracts going forward.

“Our constant emphasis on quality differentiation has served us well in winning the endorsement of our customers, including several original equipment manufacturers

who have approached us to support them in component manufacturing activities as well. In gearing itself for this new challenge, the division has committed purchase of new equipment with up-to-date functionalities which will enhance its operating capacities and efficiencies. We believe that this new initiative will boost the division's earnings base and further consolidate our market position in the oilfield engineering sector," said Mr K.K. Kuah, Chairman & CEO of MTQ.

Meanwhile, the Group's Engine Systems division continued to suffer the reprisal of the heavy investment of its management resources into the business integration programme. Completion of the exercise, scheduled for end-2QFY2006, will relieve substantial resources to be re-directed back to the business operations. Apart from seeking to raise its market share in the turbocharger and fuel injection segments, the division has also embarked on an expansion plan into the sales of automotive performance parts in the Australian market.

Commenting on the outlook of the division, Mr Kuah added, "The nationwide network of our Australian unit is a major competitive strength that could be better harnessed with the integrated operating system, which offers greater visibility of inter-branch data and facilitates concerted sales and inventory management efforts. The resultant positive impact, together with anticipated cost savings from elimination of duplicate resources, will materialise in the second half of the financial year. Despite the short term impact on its performance, the integration exercise is expected to reap long term benefits for the division."

The Subsea Robotics division also sustained deeper operating losses in the quarter with low fleet utilisation. The divestment of its entire fleet of remotely operated vehicles ("ROVs") is anticipated to complete by 2QFY2006 and will eliminate further negative impact on the Group's results arising from its fleet based operations in the second half year, particularly, the heavy depreciation expenses of its ROV fleet.

As RCR will only be announcing its results every half-yearly, the Group will not be able to take up any share of RCR's results until 3QFY2006. Accordingly, the Group's 2QFY2006 performance is likely to be weaker. Nevertheless, barring unforeseen circumstances, the Group is expected to be profitable for the current financial year.

MTQ Corporation Limited Group specialises in engineering services, and is primarily involved in oilfield equipment repairs 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.