

**MTQ CORPORATION LIMITED**

(Company Registration Number 196900057Z)

(Incorporated in the Republic of Singapore)

Unaudited Second Quarter Financial Statements And Dividend Announcement**1(a) STATEMENT OF PROFIT AND LOSS FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2004**

	Group			Group		
	3 months to 30.09.04 S\$'000	3 months to 30.09.03 S\$'000	Change %	6 months to 30.09.04 S\$'000	6 months to 30.09.03 S\$'000	Change %
Revenue	14,347	12,288	17%	29,178	24,305	20%
Other income (Note A)	41	37	11%	60	49	22%
	14,388	12,325	17%	29,238	24,354	20%
Cost of sales (Note B)	(9,235)	(7,970)	16%	(19,724)	(15,619)	26%
	5,153	4,355	18%	9,514	8,735	9%
Staff costs	(2,652)	(2,134)	24%	(5,130)	(4,237)	21%
Other operating expenses (Notes C)	(2,345)	(1,818)	29%	(4,431)	(3,103)	43%
Profit / (loss) from operating activities	156	403	-61%	(47)	1,395	n/m
Finance costs (Note D)	(333)	(242)	38%	(660)	(489)	35%
	(177)	161	n/m	(707)	906	n/m
Share of results of associated company	266	375	-29%	1,060	375	183%
Profit from operations before taxation	89	536	-83%	353	1,281	-72%
Taxation (Note E)	(87)	(284)	-69%	(243)	(524)	-54%
Net profit from operations	2	252	-99%	110	757	-85%
Minority interests	202	143	41%	229	201	14%
Net profit attributable to shareholders	204	395	-48%	339	958	-65%

n/m : not meaningful



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Note A - Other income comprises:-

	Group			Group		
	3 months to	3 months to	Change	6 months to	6 months to	Change
	30.09.04	30.09.03		30.09.04	30.09.03	
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Interest income	23	13	77%	38	23	65%
Other income	18	24	-25%	22	26	-15%
	41	37	11%	60	49	22%

Note B - Cost of sales include :-

	Group			Group		
	3 months to	3 months to	Change	6 months to	6 months to	Change
	30.09.04	30.09.03		30.09.04	30.09.03	
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Depreciation of property, plant and equipment	799	683	17%	1,576	1,382	14%

Note C - Other operating expenses include:-

	Group			Group		
	3 months to	3 months to	Change	6 months to	6 months to	Change
	30.09.04	30.09.03		30.09.04	30.09.03	
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Depreciation of property, plant and equipment	258	211	22%	566	436	30%
Provision for impairment loss of property, plant and equipment	91	-	n/m	91	-	n/m
Amortisation of goodwill	93	31	200%	186	62	200%
Goodwill written off	5	8	-38%	5	8	-38%
Loss / (gain) on exchange, net	172	98	76%	155	(545)	n/m
Allowance for doubtful debts and bad debts written off / (back)	59	(43)	n/m	51	91	-44%
Allowance for inventory obsolescence and inventories written off	56	29	93%	113	58	95%
Loss / (profit) on sale of property, plant & equipment , net	32	(4)	n/m	34	(4)	n/m
Loss on dilution of shareholding in associated company	-	-	n/m	4	-	n/m

Note D - Finance costs comprises:-

	Group			Group		
	3 months to	3 months to	Change	6 months to	6 months to	Change
	30.09.04	30.09.03		30.09.04	30.09.03	
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Interest on bank loans and overdrafts	327	237	38%	649	478	36%
Interest on loan from minority shareholder of a subsidiary company	6	4	50%	11	7	57%
Interest on finance leases	-	1	n/m	-	4	n/m
	333	242	38%	660	489	35%

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

	Group			Group		
	3 months to	3 months to	Change	6 months to	6 months to	Change
	30.09.04	30.09.03		30.09.04	30.09.03	
(Overprovision) / underprovision in respect of previous years:	S\$'000	S\$'000	%	S\$'000	S\$'000	%
- current taxation	(20)	-	n/m	(104)	-	n/m
- deferred taxation	-	-	n/m	4	(55)	n/m
	(20)	-	n/m	(100)	(55)	82%



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1(b)(i) BALANCE SHEETS

	Group		Company	
	30.09.04 S\$'000	31.03.04 S\$'000	30.09.04 S\$'000	31.03.04 S\$'000
Share capital	23,861	19,887	23,861	19,887
Reserves	13,091	12,390	10,039	9,198
Shareholders' funds	36,952	32,277	33,900	29,085
Minority interests	354	691	-	-
	<u>37,306</u>	<u>32,968</u>	<u>33,900</u>	<u>29,085</u>
Represented by:				
Non-current assets				
Goodwill	6,805	7,458	-	-
Property, plant and equipment, net	24,595	25,298	1,715	1,882
Subsidiary companies	-	-	27,029	26,045
Associated company	7,334	7,234	-	-
Other receivables	413	228	119	48
Deferred tax assets	351	356	-	-
	<u>39,498</u>	<u>40,574</u>	<u>28,863</u>	<u>27,975</u>
Current assets				
Inventories and work-in-progress	6,766	7,666	-	-
Receivables	11,198	11,181	115	415
Tax Recoverable	731	729	722	721
Fixed deposits	7,024	3,809	3,608	502
Cash at bank and in hand	3,261	2,446	1,165	209
	<u>28,980</u>	<u>25,831</u>	<u>5,610</u>	<u>1,847</u>
Current liabilities				
Trade and other payables	(9,935)	(10,707)	(441)	(605)
Short-term bank borrowings	(6,110)	(4,760)	-	-
Long-term bank borrowings, current portion	(3,761)	(3,649)	-	-
Finance lease payables	-	(1)	-	-
Loan from minority shareholder of a subsidiary company	(1,377)	(1,386)	-	-
Provision for taxation	(107)	(606)	-	-
	<u>(21,290)</u>	<u>(21,109)</u>	<u>(441)</u>	<u>(605)</u>
Net current assets	7,690	4,722	5,169	1,242
Non-current liabilities				
Long-term bank borrowings	(9,332)	(11,869)	-	-
Deferred tax liabilities	(550)	(459)	(132)	(132)
	<u>(9,882)</u>	<u>(12,328)</u>	<u>(132)</u>	<u>(132)</u>
	<u>37,306</u>	<u>32,968</u>	<u>33,900</u>	<u>29,085</u>

Share capital had 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 had been issued.

The increase in current assets was mainly attributable to proceeds received from the share placement exercise which is currently placed as deposits with financial institutions, pending deployment for business expansion and investments. Such increase is, however, offset by the payment of final dividend for the financial year ended 31 March 2004. There was also a reduction in the inventory holding levels.

Non-current liabilities declined mainly due to the repayment of bank loans and the translation of Australian dollar borrowings at a lower exchange rate. This was offset by a higher utilisation of bank overdrafts.



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1(c) CASH FLOW STATEMENT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2004

	Group	
	3 months to 30.09.04 S\$'000	3 months to 30.09.03 S\$'000
Cash flows from operating activities:		
Profit from operations before taxation	89	536
Add/ (less):		
Depreciation of property, plant and equipment	1,057	894
Amortisation of goodwill	93	31
Goodwill written off	5	8
Interest income	(23)	(13)
Interest expense	333	242
Share of results of associated company	(266)	(375)
Loss / (gain) on sale of property, plant & equipment , net	32	(4)
Provision for impairment loss of property, plant and equipment	91	-
Gain on dilution of interest in subsidiary company	-	(18)
Operating income before reinvestment in working capital	1,411	1,301
Decrease in receivables	75	2,683
Decrease in inventories and work-in-progress	231	233
Increase / (decrease) in payables	1,319	(116)
Currency re-alignment	91	220
Cash provided by operations	3,127	4,321
Interest income received	23	13
Interest expense paid	(327)	(238)
Income taxes paid	(208)	(435)
Net cash provided by operating activities	2,615	3,661
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,455)	(387)
Proceeds from sale of property, plant and equipment	52	37
(New staff loans) / repayment of staff loans , net	(48)	11
Acquisition of additional shares in a subsidiary company	(69)	-
Dividends received from associated company	280	-
Acquisition of additional shares in associated company	-	(4)
Subscription for shares in a subsidiary company by minority shareholders	-	43
Net cash used in investing activities	(1,240)	(300)
Cash flows from financing activities:		
Dividend paid	(1,145)	(928)
Proceeds from / (repayment of) bank overdrafts, secured	437	(1,042)
Repayment of bank loans, net	(756)	(556)
Repayment of finance leases	-	(20)
Proceeds from issuance of new shares	-	25
Proceeds from loan from minority shareholder of a subsidiary company, net	-	79
Net cash used in financing activities	(1,464)	(2,442)
Net change in cash and cash equivalents	(89)	919
Cash and cash equivalents at beginning of financial period	10,374	9,300
Cash and cash equivalents at end of financial period	10,285	10,219



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1(b)(ii) GROUP BORROWINGS

	As at 30.09.04		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	9,584	287	8,160	250
Amount repayable after one year	9,332	-	11,869	-

Details of any collateral:

(i) Total bank borrowings of S\$11,256,000 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\$6,360,000 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\$1,300,000 granted to a third subsidiary company are secured by the following :-

- fixed charge on certain workshop equipment purchased with 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 September 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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Note : Cash and cash equivalents consist of the following:-

	Group	
	As at 30.09.04	As at 30.09.03
	S\$'000	S\$'000
Fixed deposits	7,024	7,209
Cash at bank and in hand	3,261	3,010
	10,285	10,219

Net cash provided by operating activities in 2QFY2005 was lower than 2QFY2004 mainly due to less favourable working capital movements.

Net cash used in investing activities for 2QFY2005 was higher than 2QFY2004 as a result of significant purchase of property, plant and equipment.

Net cash used in financing activities was significantly lower than comparative period mainly due to proceeds from higher utilisation of bank overdrafts offset by higher repayment of bank loans.

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

<u>Group</u>	<u>Share Capital</u> S\$'000	<u>Share Premium</u> S\$'000	<u>Foreign Currency Translation Reserves</u> S\$'000	<u>Retained Earnings</u> S\$'000	<u>Share Capital & Reserves</u> S\$'000
Balance as at 1 July 2003	19,839	1,952	993	8,480	31,264
Exchange difference on translation of overseas subsidiary companies	-	-	40	-	40
Issuance of ordinary shares pursuant to exercise of options	21	4	-	-	25
Net profit attributable to shareholders	-	-	-	395	395
Balance as at 30 September 2003	19,860	1,956	1,033	8,875	31,724
Balance as at 1 July 2004	23,861	4,265	812	9,058	37,996
Exchange difference on translation of overseas subsidiary companies	-	-	(103)	-	(103)
Net profit attributable to shareholders	-	-	-	204	204
Dividends paid in respect of previous financial year, less tax	-	-	-	(1,145)	(1,145)
Balance as at 30 September 2004	23,861	4,265	709	8,117	36,952

<u>Company</u>	<u>Share Capital</u> S\$'000	<u>Share Premium</u> S\$'000	<u>Retained Earnings</u> S\$'000	<u>Share Capital & Reserves</u> S\$'000
Balance as at 1 July 2003	19,839	1,952	9,667	31,458
Issuance of ordinary shares pursuant to exercise of options	21	4	-	25
Net loss attributable to shareholders	-	-	(208)	(208)
Balance as at 30 September 2003	19,860	1,956	9,459	31,275
Balance as at 1 July 2004	23,861	4,265	7,079	35,205
Net loss attributable to shareholders	-	-	(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



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

There have been no changes in the company's issued share capital during the quarter.

The total number of options outstanding as at 30 September 2004 are 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 30.09.04</u> (<u>'000</u>)	<u>As at 30.09.03</u> (<u>'000</u>)		
15 October 2000	200	200	15 October 2005	S\$0.30
15 October 2000	586	821	15 October 2010	S\$0.30
31 July 2003	440	440	30 July 2008	S\$0.43
31 July 2003	1,465	1,510	30 July 2013	S\$0.43
	<u>2,691</u>	<u>2,971</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

6 EARNINGS PER ORDINARY SHARE (EPS)

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30.09.04</u> (cents)	<u>3 months ended 30.09.03</u> (cents)	<u>6 months ended 30.09.04</u> (cents)	<u>6 months ended 30.09.03</u> (cents)
Earnings per ordinary share:-				
- Based on weighted average number of ordinary shares on issue (Note A)	0.21	0.50	0.36	1.21
- On a fully diluted basis (Note B)	0.21	0.50	0.36	1.20

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 :-

2QFY2005 - 95.445m shares (2QFY2004 - 79.399m shares)

1HFY2005 - 94.401 m shares (1HFY2004 - 79.324m 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) :-

2QFY2005 - 95.594m shares (2QFY2004 - 79.713m shares)

1HFY2005 - 94.578 m shares (1HFY2004 - 79.640m shares)

7 NET ASSET VALUE

	<u>Group</u>		<u>Company</u>	
	<u>30.09.04</u> (cents)	<u>31.03.04</u> (cents)	<u>30.09.04</u> (cents)	<u>31.03.04</u> (cents)
Net asset value per ordinary share based on issued share capital	38.72	40.57	35.52	36.56



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8 REVIEW OF GROUP PERFORMANCE

TURNOVER

The Group's turnover for 2QFY2005 rose 17% over that of the prior comparative quarter to S\$14.35m as the Oilfield Engineering division registered revenue growth from the leasing of certain oilfield equipment.

The Engine Systems division also enjoyed strong revenue contributions from the fuel injection business of the Adelaide Fuel Injection Group ("AFI"), albeit volatility in its large frame turbocharger work continued to have a negative impact on its turbocharger operations.

The overall improvement was, however, moderated by lower fleet utilisation in 2QFY2005 for the Subsea Robotics division.

Year-to-date, the Group achieved a turnover of S\$29.18m for the six months ended 30 September 2004, representing a 20% improvement over the comparative six-month period.

PROFITABILITY

The Group's operating profit before tax for 2QFY2005, however, slid 83% from S\$0.54m in 2QFY2004 to S\$0.09m as weaker fleet utilisation levels translated into lower recovery of fixed overheads in Subsea Robotics division.

Lower profit margins from its turbocharger activities also impacted the performance of the Engine Systems division.

The decline was also attributable to unfavourable exchange variances as well as a S\$0.09m provision for impairment in value of a surplus property in Ipoh, Malaysia following the winding down of the foundry operations there in FY2002.

Meanwhile, the Oilfield Engineering division posted a healthy 2QFY2005 performance, benefiting from earlier efforts to enlarge its earnings base.

During the quarter, the Group also recognized negative goodwill of S\$0.27m arising from the acquisition of shares in RCR Tomlinson Ltd, its associated company.

Year-to-date, the Group posted a profit before tax of S\$0.35m, representing a 72% drop from the prior comparative period. This was mainly due to weaker performances of the Subsea Robotics and Engine Systems divisions and unfavourable exchange variances, offset by a higher share of results of its associated company.

9 VARIANCE FROM PROSPECT STATEMENT

No variance noted.

10 PROSPECTS

The expectation of an increase in global exploration and production spending, after a significant lag behind rising oil prices, augurs well for the Oilfield Engineering division. The division is anticipating a gradual recovery of its repair job volumes in the second half of FY2005.

Business integration efforts of the Engine Systems division will continue towards completion in 2HFY2005. On the operational front, the division's performance remain susceptible to volatility in its large frame turbocharger operations and increased competitive forces arising from an influx of cheaper imports into Australia. Notwithstanding this, contribution from the division is expected to remain healthy.

Meanwhile, performance of the Subsea Robotics division remains pivotal upon its ability to establish itself as an integrated subsea services provider instead of an ROV operator. To this end, the division will continue to seek strategic alliances with established players in complementary activities.

The Group is expected to benefit from an upgraded profit target by its associated company, RCR Tomlinson Limited ("RCR"), upon its acquisition of an engineering company which is expected to achieve synergies with RCR's existing operations.

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



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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	20.00%

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	22.00%

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 Share Transfers Books and Register of Members to determine shareholders' entitlements to the interim dividend.

BY ORDER OF THE BOARD

Fong Choon Seng
Company Secretary
28.10.04