



MTQ CORPORATION LIMITED
(Incorporated in the Republic of Singapore)

Unaudited Second Quarter Financial Statement And Dividend Announcement

1(a) **STATEMENT OF PROFIT AND LOSS FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2003**

	Group			Group		
	3 months to	3 months to	Change	6 months to	6 months to	Change
	30.09.03	30.09.02	%	30.09.03	30.09.02	%
	S\$'000	S\$'000		S\$'000	S\$'000	
Revenue	12,288	12,943	-5%	24,305	23,213	5%
Other income (Note A)	37	208	-82%	49	229	-79%
	12,325	13,151	-6%	24,354	23,442	4%
Cost of sales (Note B)	(7,970)	(8,978)	-11%	(15,619)	(15,390)	1%
	4,355	4,173	4%	8,735	8,052	8%
Staff costs	(2,134)	(2,067)	3%	(4,237)	(3,882)	9%
Other operating expenses (Note C, D)	(1,818)	(1,125)	62%	(3,103)	(3,149)	-1%
Profit from operating activities	403	981	-59%	1,395	1,021	37%
Interest on borrowings (Note E)	(242)	(145)	67%	(489)	(249)	96%
Gain on disposition of discontinuing operation	-	-	n/m	-	3,484	n/m
	161	836	-81%	906	4,256	-79%
Share of results of associated company	375	-	n/m	375	-	n/m
Profit from operations before taxation	536	836	-36%	1,281	4,256	-70%
Taxation (Note F)	(284)	(87)	226%	(524)	(235)	123%
Net profit from operations	252	749	-66%	757	4,021	-81%
Minority interests	143	(189)	n/m	201	(185)	n/m
Net profit attributable to shareholders	395	560	-29%	958	3,836	-75%

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
	30.09.03	30.09.02		30.09.03	30.09.02	
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Interest income	13	15	-13%	23	23	n/m
Other income	24	193	-88%	26	206	-87%
	37	208	-82%	49	229	-79%

Note B - Cost of sales include :-

	Group			Group		
	3 months to	3 months to	Change	6 months to	6 months to	Change
	30.09.03	30.09.02		30.09.03	30.09.02	
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Depreciation of property, plant and equipment	683	437	56%	1,382	770	79%

Note C - Other operating expenses include:-

	Group			Group		
	3 months to	3 months to	Change	6 months to	6 months to	Change
	30.09.03	30.09.02		30.09.03	30.09.02	
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Depreciation of property, plant and equipment	211	196	8%	436	393	11%
Profit on sale of property, plant & equipment , net	(4)	(77)	-95%	(4)	(27)	-85%
Loss / (Gain) on exchange, net	98	(222)	n/m	(545)	(305)	79%
Allowance for doubtful debts and bad debts written (back) / off	(43)	26	n/m	91	122	-25%
Allowance for stock obsolescence and stocks written off	29	23	26%	58	48	21%
Amortisation of goodwill	31	12	158%	62	12	417%
Goodwill written off	8	-	n/m	8	-	n/m
Exceptional items (Note D)	-	-	n/m	-	685	n/m

Note D - Exceptional items comprise:-

	Group			Group		
	3 months to	3 months to	Change	6 months to	6 months to	Change
	30.09.03	30.09.02		30.09.03	30.09.02	
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Provision for diminution in value of investment	-	-	n/m	-	685	n/m

Note E - Interest on borrowings comprises:-

	Group			Group		
	3 months to	3 months to	Change	6 months to	6 months to	Change
	30.09.03	30.09.02		30.09.03	30.09.02	
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Interest on bank loans and overdrafts	237	142	67%	478	242	98%
Interest on finance leases	1	3	-67%	4	7	-43%
Interest on loan from minority shareholder of a subsidiary company	4	-	n/m	7	-	n/m
	242	145	67%	489	249	96%

Note F - 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
	30.09.03	30.09.02		30.09.03	30.09.02	
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
(Overprovision)/Underprovision in respect of previous years:						
- current taxation	-	-	n/m	-	29	n/m
- deferred taxation	-	-	n/m	(55)	-	n/m
	-	-	n/m	(55)	29	n/m



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1(b)(i) BALANCE SHEETS

	Group		Company	
	30.09.03 S\$'000	31.03.03 S\$'000	30.09.03 S\$'000	31.03.03 S\$'000
Share capital	19,860	19,800	19,860	19,800
Reserves	11,864	11,490	11,415	12,641
Shareholders' funds	<u>31,724</u>	<u>31,290</u>	<u>31,275</u>	<u>32,441</u>
Minority interests	867	970	-	-
	<u>32,591</u>	<u>32,260</u>	<u>31,275</u>	<u>32,441</u>
Represented by:				
Non-current assets				
Goodwill	2,446	2,163	-	-
Property, plant and equipment, net	23,973	24,238	2,098	2,307
Subsidiary companies	-	-	23,012	22,208
Associated company	4,623	-	-	-
Investments	-	2,813	-	-
Other receivables	273	316	61	73
Deferred tax asset	336	297	-	-
	<u>31,651</u>	<u>29,827</u>	<u>25,171</u>	<u>24,588</u>
Current assets				
Inventories and work-in-progress	5,493	5,668	-	-
Receivables	14,014	14,495	926	673
Fixed deposits	7,209	7,705	5,205	7,702
Cash at bank and in hand	3,010	2,980	670	435
	<u>29,726</u>	<u>30,848</u>	<u>6,801</u>	<u>8,810</u>
Current liabilities				
Payables: amounts falling due within one year	(18,297)	(17,925)	(532)	(773)
	<u>(18,297)</u>	<u>(17,925)</u>	<u>(532)</u>	<u>(773)</u>
Net current assets	11,429	12,923	6,269	8,037
Non-current liabilities				
Payables: amounts falling due after one year	(10,194)	(10,121)	-	-
Deferred tax liability	(295)	(369)	(165)	(184)
	<u>(10,489)</u>	<u>(10,490)</u>	<u>(165)</u>	<u>(184)</u>
Net assets	<u>32,591</u>	<u>32,260</u>	<u>31,275</u>	<u>32,441</u>

Goodwill increases mainly due to the additional investment in MTQ Subsea Technology Pte Ltd and the translation of Australian-dollar goodwill at higher exchange rate.

The net investment in associated company reflects the Group 28.16% investment in RCR Tomlinson Ltd ("RCR") and includes a negative goodwill of S\$3,077,000 (A\$2,621,000), of which S\$343,000 has been recognised as income in this quarter under 'share of results of associated company'. Prior to the additional interest acquired in 1QFY2004, the Group held a 19.99% equity stake in RCR and had classified the investment in RCR under "Investments".

Decrease in net current assets is mainly due to the maturity of a portion of long term loan which has been reclassified as current liabilities.



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1(b)(ii) GROUP BORROWINGS

	As at 30.09.03		As at 31.03.03	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	5,828	-	6,205	-
Amount repayable after one year	10,194	-	10,121	-

Details of any collateral:

(i) Total bank borrowings of S\$7,067,000 granted to a subsidiary company are secured by the following:-

- simple deposit of title deed over the subsidiary company's property at Raynham St. Salisbury, Queensland, Australia;
- legal assignment of the sale proceeds of the aforementioned property to the bank;
- legal charge over the subsidiary company's quoted investment;
- corporate guarantee from the Company; and
- fixed and floating charge over the assets of the subsidiary company.

(ii) Total bank borrowings of S\$6,619,000 granted to a second subsidiary company are secured by the following :-

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

(iii) Total bank borrowings of S\$2,304,000 granted to a third subsidiary company are secured by the following :-

- fixed charge on equipment purchased under the facility granted;
- corporate guarantee provided by the Company; and
- subordination deed from the Company

Note: Included in the Group's secured borrowings is S\$32,000 of finance lease payables.

Group's Borrowings:

The Group's aggregate borrowings decreased slightly as at 30 September 2003 mainly due to lower bank overdrafts and finance lease payable. Current portion of Group's borrowings were reduced, however, due to rescheduling of loan repayment pertaining to a subsidiary company.



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1(c) CASH FLOW STATEMENT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2003

	Group	
	3 months to 30.09.03 S\$'000	3 months to 30.09.02 S\$'000
Cash flows from operating activities:		
Profit from operations before taxation	536	836
Add/ (less):		
Depreciation of property, plant and equipment	894	633
Amortisation of goodwill	31	12
Profit on sale of property, plant & equipment, net	(4)	(77)
Investment and interest income	(13)	(15)
Interest expense	242	145
Goodwill written off	8	-
Gain on dilution of interest in subsidiary company	(18)	-
Share of results of associated companies	(375)	-
Operating income before reinvestment in working capital	1,301	1,534
Decrease / (Increase) in receivables	2,683	(1,819)
Decrease in inventories and work-in-progress	233	1,030
Decrease in payables	(116)	(786)
Currency re-alignment	220	(49)
Cash generated from / (used in) operations	4,321	(90)
Investment and interest income received	13	15
Interest expense paid	(238)	(145)
Income taxes paid	(435)	(338)
Net cash provided by / (used in) operating activities	3,661	(558)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(387)	(2,195)
Proceeds from sale of property, plant and equipment	37	461
Loans repaid by staff, net	11	100
Acquisition of associated company	(4)	-
Subscription for shares in a subsidiary company by minority shareholders	43	-
Investment in new business	-	(2,639)
Net cash used in investing activities	(300)	(4,273)
Cash flows from financing activities:		
Dividend paid	(928)	(1,544)
Loan from minority shareholder of a subsidiary company, net	79	-
(Repayment of) / Proceeds from bank overdrafts, secured	(1,042)	875
Repayment of finance leases	(20)	(29)
(Repayment of) / Proceeds from bank loans, secured	(556)	3,590
Proceeds from issuance of new shares	25	-
Net cash (used in) / provided by financing activities	(2,442)	2,892
Net change in cash and cash equivalents	919	(1,939)
Cash and cash equivalents at beginning of financial period	9,300	13,076
Cash and cash equivalents at end of financial period	10,219	11,137

Note : Cash and cash equivalents consist of fixed deposits, cash at bank and in hand less unsecured bank overdrafts

Net cash generated from operating activities during 2QFY2004 was mainly due to more favourable working capital movements.

Net cash used in investing activities for 2QFY2004 was less than 2QFY2003 mainly due to lower investment in property, plant and equipment and new businesses.

Net cash used in financing activities for 2QFY2004 relates mainly to repayment of bank borrowings and the payment of dividends.



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1(d)(i) STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2003

<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 2002	19,800	1,944	636	8,898	31,278
Exchange difference on translation of overseas	-	-	(30)	-	(30)
Net profit attributable to shareholders	-	-	-	560	560
Dividends paid in respect of previous financial year, less tax	-	-	-	(1,544)	(1,544)
Balance as at 30 September 2002	19,800	1,944	606	7,914	30,264
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
Issue of shares	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

<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 2002	19,800	1,944	14,138	35,882
Net loss attributable to shareholders	-	-	(243)	(243)
Dividends paid in respect of previous financial year, less tax	-	-	(1,544)	(1,544)
Balance as at 30 September 2002	19,800	1,944	12,351	34,095
Balance as at 1 July 2003	19,839	1,952	9,667	31,458
Issue of shares	21	4	-	25
Net loss attributable to shareholders	-	-	(208)	(208)
Balance as at 30 September 2003	19,860	1,956	9,459	31,275

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

During the current quarter, the Company issued and allotted 84,000 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.

<u>Date of grant</u>	<u>No. of shares that may be issued upon exercising all outstanding options</u>		<u>Expiry date</u>
	<u>As at 30.09.03</u> (<u>'000</u>)	<u>As at 30.09.02</u> (<u>'000</u>)	
15 October 2000	200	200	15 October 2005
15 October 2000	821	1280	15 October 2010
31 July 2003	440	-	30 July 2008
31 July 2003	1510	-	30 July 2013
	2971	1480	

As at 30 September 2003, the company's share capital comprised of 79,439,000 fully paid ordinary shares of S\$0.25 each.



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2 AUDIT

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

3 AUDITORS' REPORT

Not Applicable

4 ACCOUNTING POLICIES

With effect from 1 January 2003, the Group has complied with Financial Reporting Standards ("FRS") of Singapore which replaced the Singapore Statements of Accounting Standards ("SAS") adopted by the Group before the FRS came into effect. There are no material differences arising from the compliance with FRS.

For the purpose of preparing the consolidated financial statements, the Group has not equity accounted the 1 July 2003 to 30 September 2003 results of RCR Tomlinson Limited ("RCR"), an associated company, listed on the Australian Stock Exchange Limited, as such information has not yet been announced. It would appear that the Group would only be able to account for RCR's results once every half yearly after RCR has announced their results. As this will be applied on a consistent basis, the Group's annual financial statements will account for RCR's 12-month results with effect from FY2005 in compliance with FRS28.

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

5 CHANGES IN ACCOUNTING POLICIES

Other than as stated above, no changes in the accounting policies and methods of computation.

6 EARNINGS PER ORDINARY SHARE (EPS)

	Group		Group	
	3 months ended 30.09.03 (cents)	3 months ended 30.09.02 (cents)	6 months ended 30.09.03 (cents)	6 months ended 30.09.02 (cents)
Earnings per ordinary share:-				
- Based on weighted average number of ordinary shares on issue (Note A)	0.50	0.71	1.21	4.84
- On a fully diluted basis (Note B)	0.50	0.71	1.20	4.83

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 :-

2QFY2004 - 79.399m shares (2QFY2003 - 79.200m shares)

1HFY2004 - 79.324m shares (1HFY2003 - 79.200m 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) :-

2QFY2004 - 79.713m shares (2QFY2003 - 79.432m shares)

1HFY2004 - 79.640m shares (1HFY2003 - 79.364m shares)

7 NET ASSET VALUE

	Group		Company	
	30.09.03 (cents)	31.03.03 (cents)	30.09.03 (cents)	31.03.03 (cents)
Net asset value per ordinary share based on issued share capital	39.94	39.51	39.37	40.96



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8 REVIEW OF GROUP PERFORMANCE

Turnover

The Group's S\$12.29m turnover for 2QFY2004 was 5% lower than that of the prior comparative quarter.

The decrease in turnover was mainly attributable to weaker performance in the subsea robotics and oilfield repair operations. This was moderated by increased revenues from the engine systems operations.

Year-to-date, the Group had however achieved a turnover of S\$24.31m for the six months ended 30 September 2003, representing a 5% improvement over the comparative six-month period.

Profitability

The Group's operating profit before tax for 2QFY2004 slid 36% from S\$0.84m in 2QFY2003 to S\$0.54m, mainly due to weaker performance in the subsea robotics division coupled with an unfavourable exchange variance of S\$0.32m compared to prior comparative quarter.

Weak demands for subsea support services in the North Sea continued to impact on the performance of the Subsea Robotics division. The division had initiated geographical market repositioning to focus on the Asian and Middle Eastern markets.

During the current quarter, the oilfield engineering repair operations experienced increased market competition and reduction in spending by drilling contractors and rig owners on equipment repair. While the Oilfield Engineering division continued to contribute positively to Group earnings, performance was below expectation.

Stronger earnings came from the Engine Systems division with its expanded earnings bases in both the turbocharger and fuel injection operations. These operations had continued to enjoy good margins given its firm market leadership in Australia.

In 2QFY2004, the Group took up its share of the post-acquisition results of its associated company, RCR Tomlinson Ltd ("RCR") up to 30 June 2003. In addition, the Group had also recognised negative goodwill of S\$0.34m arising from the acquisition of shares in RCR.

Year-to-date, the Group posted a profit before tax of S\$1.28m, a 70% drop from prior comparative period of S\$4.26m. The decrease was mainly due to the absence of a S\$3.48m gain on disposition of the Group's marine repair services business in the prior comparative period.

9 VARIANCE FROM PROSPECT STATEMENT

No variance noted.

10 PROSPECTS

The completion of the acquisition of the business assets of Adelaide Fuel Injection group of companies in October 2003 will provide growth in the Group's Engine Systems division in the second half year. Commencement of the division's operations in Surabaya, Indonesia will also materialise in the 3rd quarter as planned. Start-up costs are, however, likely to exceed any initial contribution from this unit.

Despite a buoyant oil and gas industry, the oilfield equipment repair segment that we currently service experienced an unexpected slowdown.

The second half-year will also witness the Subsea Robotics division progressively relocating its ROV fleet from the North Sea to the Asian and Middle Eastern markets. Although the restructuring will benefit the division for long term, additional one-off restructuring costs will be incurred.

In the coming quarter, the Group will also enjoy its share of the first half earnings of its associated company, RCR Tomlinson Limited, which is likely to be an improvement over its performance last year.

Barring unforeseen circumstances, the Group will remain profitable for the full 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	22.00%

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
31.10.03