

**MTQ CORPORATION LIMITED**

(Company Registration Number 196900057Z)

(Incorporated in the Republic of Singapore)

Unaudited Third Quarter Financial Statements And Dividend Announcement**1(a) STATEMENT OF PROFIT AND LOSS FOR THE THIRD QUARTER ENDED 31 DECEMBER 2004**

	Group			Group		
	3 months to 31.12.04 S\$'000	3 months to 31.12.03 S\$'000	Change %	9 months to 31.12.04 S\$'000	9 months to 31.12.03 S\$'000	Change %
Revenue	13,831	13,832	0%	43,009	38,137	13%
Other income (Note A)	71	30	137%	131	79	66%
	13,902	13,862	0%	43,140	38,216	13%
Cost of sales (Note B)	(9,056)	(9,824)	-8%	(28,780)	(25,443)	13%
	4,846	4,038	20%	14,360	12,773	12%
Staff costs	(2,480)	(2,638)	-6%	(7,610)	(6,875)	11%
Other operating expenses (Notes C, D)	(3,308)	(1,723)	92%	(7,739)	(4,826)	60%
(Loss) / profit from operating activities	(942)	(323)	192%	(989)	1,072	n/m
Finance costs (Note E)	(369)	(305)	21%	(1,029)	(794)	30%
	(1,311)	(628)	109%	(2,018)	278	n/m
Share of results of associated company	2,230	701	218%	3,290	1,076	206%
Profit from operations before taxation	919	73	1159%	1,272	1,354	-6%
Taxation (Note F)	(610)	24	n/m	(853)	(500)	71%
Net profit from operations	309	97	219%	419	854	-51%
Minority interests	363	203	79%	592	404	47%
Net profit attributable to shareholders	672	300	124%	1,011	1,258	-20%

n/m : not meaningful



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Note A - Other income comprise:-

	Group			Group		
	3 months to	3 months to	Change	9 months to	9 months to	Change
	31.12.04	31.12.03		31.12.04	31.12.03	
SS'000	SS'000	%	SS'000	SS'000	%	
Interest income	18	26	-31%	56	49	14%
Other income	53	4	1225%	75	30	150%
	71	30	137%	131	79	66%

Note B - Cost of sales include :-

	Group			Group		
	3 months to	3 months to	Change	9 months to	9 months to	Change
	31.12.04	31.12.03		31.12.04	31.12.03	
SS'000	SS'000	%	SS'000	SS'000	%	
Depreciation of property, plant and equipment	799	757	6%	2,375	2,139	11%

Note C - Other operating expenses include :-

	Group			Group		
	3 months to	3 months to	Change	9 months to	9 months to	Change
	31.12.04	31.12.03		31.12.04	31.12.03	
SS'000	SS'000	%	SS'000	SS'000	%	
Depreciation of property, plant and equipment	448	228	96%	1,014	664	53%
Amortisation of goodwill	97	78	24%	283	140	102%
Gain on exchange, net	(409)	(953)	-57%	(254)	(1,498)	-83%
Allowance for doubtful debts and bad debts written off, net	165	16	931%	216	107	102%
Allowance for inventory obsolescence and inventories written off, net	19	62	-69%	132	120	10%
Loss / (profit) on sale of property, plant & equipment, net	9	(19)	n/m	43	(23)	n/m
Loss on dilution of shareholding in associated company	50	-	n/m	54	-	n/m
Goodwill written off	-	73	n/m	5	81	-94%
Exceptional items (Note D)	1,183	332	256%	1,274	332	284%

Note D - Exceptional items comprise:-

	Group			Group		
	3 months to	3 months to	Change	9 months to	9 months to	Change
	31.12.04	31.12.03		31.12.04	31.12.03	
SS'000	SS'000	%	SS'000	SS'000	%	
Provision for restructuring costs	-	332	n/m	-	332	n/m
Provision for impairment of property, plant and equipment	1,183	-	n/m	1,274	-	n/m
	1,183	332	256%	1,274	332	284%

Note E - Finance costs comprise:-

	Group			Group		
	3 months to	3 months to	Change	9 months to	9 months to	Change
	31.12.04	31.12.03		31.12.04	31.12.03	
SS'000	SS'000	%	SS'000	SS'000	%	
Interest on:						
- bank loans and overdrafts	347	297	17%	996	775	29%
- loan from minority shareholder of a subsidiary company	6	5	20%	17	12	42%
- finance leases	-	3	n/m	-	7	n/m
- others	16	-	n/m	16	-	n/m
	369	305	21%	1,029	794	30%

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	9 months to	9 months to	Change
	31.12.04	31.12.03		31.12.04	31.12.03	
SS'000	SS'000	%	SS'000	SS'000	%	
(Overprovision) / underprovision in respect of previous years:						
- current taxation	-	-	n/m	(104)	-	n/m
- deferred taxation	-	-	n/m	4	(55)	n/m
	-	-	n/m	(100)	(55)	82%



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1(b)(i) BALANCE SHEETS

	Group		Company	
	31.12.04 S\$'000	31.03.04 S\$'000	31.12.04 S\$'000	31.03.04 S\$'000
Share capital	23,861	19,887	23,861	19,887
Reserves	13,563	12,390	7,932	9,198
Shareholders' funds	<u>37,424</u>	<u>32,277</u>	<u>31,793</u>	<u>29,085</u>
Minority interests	22	691	-	-
	<u>37,446</u>	<u>32,968</u>	<u>31,793</u>	<u>29,085</u>
Represented by:				
Non-current assets				
Goodwill	7,104	7,458	-	-
Property, plant and equipment, net	23,729	25,298	1,596	1,882
Subsidiary companies	-	-	29,108	26,045
Associated company	10,711	7,234	-	-
Other receivables	389	228	113	48
Deferred tax assets	372	356	-	-
	<u>42,305</u>	<u>40,574</u>	<u>30,817</u>	<u>27,975</u>
Current assets				
Inventories and work-in-progress	7,477	7,666	-	-
Receivables	11,980	11,181	92	415
Tax recoverable	836	729	724	721
Fixed deposits	2,774	3,809	-	502
Cash at bank and in hand	3,548	2,446	869	209
	<u>26,615</u>	<u>25,831</u>	<u>1,685</u>	<u>1,847</u>
Current liabilities				
Trade and other payables	(9,183)	(10,707)	(577)	(605)
Short-term bank borrowings	(7,361)	(4,760)	-	-
Long-term bank borrowings, current portion	(4,010)	(3,649)	-	-
Finance lease payables	-	(1)	-	-
Loan from minority shareholder of a subsidiary company	(1,383)	(1,386)	-	-
Provision for taxation	(45)	(606)	-	-
	<u>(21,982)</u>	<u>(21,109)</u>	<u>(577)</u>	<u>(605)</u>
Net current assets	4,633	4,722	1,108	1,242
Non-current liabilities				
Long-term bank borrowings	(8,940)	(11,869)	-	-
Deferred tax liabilities	(552)	(459)	(132)	(132)
	<u>(9,492)</u>	<u>(12,328)</u>	<u>(132)</u>	<u>(132)</u>
	<u>37,446</u>	<u>32,968</u>	<u>31,793</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 and the exercising of employees' share options. A total of 15,896,000 new ordinary shares of S\$0.25 each had been issued during the financial year.

Non-current assets had increased due to the acquisition of additional shares in associated company, RCR Tomlinson Limited ("RCR"), pursuant to their right issue exercise. The Group also took up its share of RCR's after-tax results from 1 January 2004 to 31 December 2004 and recognised negative goodwill of S\$1.19m during the current financial year. Meanwhile, property, plant & equipment had decreased mainly due to depreciation and a S\$1.18m provision for impairment in respect of the assets of the Subsea Robotics division, offset by additional purchase of plant and equipment.

The decrease in net current assets was largely attributable to higher bank borrowings, net of cash, offset by a decrease in payables and higher prepayments.

Non-current liabilities decreased mainly due the repayment of bank loans and a lower exchange rate used in translation of Australian dollar based borrowings.



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1(b)(ii) GROUP BORROWINGS

	As at 31.12.04		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	11,075	296	8,160	250
Amount repayable after one year	8,940	-	11,869	-

Details of any collateral:

(i) Total bank borrowings of S\$12,407,000 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\$6,308,000 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:

As at 31 December 2004, the Group's borrowings increased slightly as repayment of term loans are offset by higher utilisation of bank overdrafts and new bank loans.



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1(c) CASH FLOW STATEMENT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2004

	Group	
	3 months to 31.12.04 S\$'000	3 months to 31.12.03 S\$'000
Cash flows from operating activities:		
Profit from operations before taxation	919	73
Add/ (less):		
Depreciation of property, plant and equipment	1,247	985
Amortisation of goodwill	97	78
Interest income	(18)	(26)
Interest expense	369	305
Share of results of associated company	(2,230)	(701)
Loss / (profit) on sale of property, plant & equipment, net	9	(19)
Loss on dilution of shareholdings in associate company	50	-
Provision for impairment of property, plant & equipment	1,183	-
Goodwill written off	-	73
Provision for restructuring costs	-	332
Operating profit before reinvestment in working capital	1,626	1,100
(Increase) / decrease in receivables	(782)	872
Increase in inventories and work-in-progress	(711)	(685)
(Decrease) / increase in payables	(768)	1,056
Currency re-alignment	(52)	(370)
Cash (used in) / provided by operations	(687)	1,973
Interest income received	18	26
Interest expense paid	(347)	(305)
Income taxes paid	(272)	(361)
Net cash (used in) / provided by operating activities	(1,288)	1,333
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,183)	(885)
Proceeds from sale of property, plant and equipment	262	107
Repayment of staff loans, net	24	37
Acquisition of additional shares in associated company	(1,470)	(1,410)
Investment in new business	-	(7,314)
Dividends received from associated company	-	159
Net cash used in investing activities	(2,367)	(9,306)
Cash flows from financing activities:		
Dividend paid	(764)	(621)
Proceeds from bank overdrafts, secured	698	1,311
(Repayment) / Proceeds of bank loans, net	(242)	3,139
Repayment of finance leases	-	(25)
Proceeds from issuance of new shares	-	33
Proceeds from loan from minority shareholder of a subsidiary company, net	-	135
Net cash (used in) / provided by financing activities	(308)	3,972
Net change in cash and cash equivalents	(3,963)	(4,001)
Cash and cash equivalents at beginning of financial period	10,285	10,219
Cash and cash equivalents at end of financial period	6,322	6,218

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

	Group	
	31.12.04 S\$'000	31.12.03 S\$'000
Fixed deposits	2,774	3,505
Cash at bank and in hand	3,548	2,713
	6,322	6,218

Net cash used in operating activities during 3QFY2005 arose mainly due to less favourable working capital movements.

Net cash used in investing activities during 3QFY2005 was lower than 3QFY2004, during which the Group acquired the business of Adelaide Fuel Injection group of companies.

Net cash used in financing activities arose in 3QFY2005 mainly from less finances from bank borrowings compared to 3QFY2004.



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1(d)(i) STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 31 DECEMBER 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 October 2003	19,860	1,956	1,033	8,875	31,724
Exchange difference on translation of overseas subsidiary companies	-	-	434	-	434
Issuance of shares	27	6	-	-	33
Net profit attributable to shareholders	-	-	-	300	300
Interim dividend paid in respect of current financial year, less tax	-	-	-	(621)	(621)
Balance as at 31 December 2003	19,887	1,962	1,467	8,554	31,870
Balance as at 1 October 2004	23,861	4,265	709	8,117	36,952
Exchange difference on translation of overseas subsidiary companies	-	-	733	-	733
Net profit attributable to shareholders	-	-	-	672	672
Share of reserves movement in associated company	-	-	-	(169)	(169)
Interim dividend paid in respect of current financial year, less tax	-	-	-	(764)	(764)
Balance as at 31 December 2004	23,861	4,265	1,442	7,856	37,424

<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 October 2003	19,860	1,956	9,459	31,275
Issuance of shares	27	6	-	33
Net loss attributable to shareholders	-	-	(1,707)	(1,707)
Interim dividend paid in respect of current financial year, less tax	-	-	(621)	(621)
Balance as at 31 December 2003	19,887	1,962	7,131	28,980
Balance as at 1 October 2004	23,861	4,265	5,774	33,900
Net loss attributable to shareholders	-	-	(1,343)	(1,343)
Interim dividend paid in respect of current financial year, less tax	-	-	(764)	(764)
Balance as at 31 December 2004	23,861	4,265	3,667	31,793

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 31 December 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 31.12.04</u> ('000)	<u>As at 31.12.03</u> ('000)		
15 October 2000	200	200	15 October 2005	S\$0.30
15 October 2000	586	711	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>2,861</u>		

2 AUDIT

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

3 AUDITORS' REPORT

Not Applicable



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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)

	Group		Group	
	3 months ended	3 months ended	9 months ended	9 months ended
	31.12.04	31.12.03	31.12.04	31.12.03
	(cents)	(cents)	(cents)	(cents)
Earnings per ordinary share:-				
- Based on weighted average number of ordinary shares on issue (Note A)	0.70	0.38	1.07	1.58
- On a fully diluted basis (Note B)	0.70	0.38	1.07	1.58

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 :-

3QFY2005 - 95.445m shares (3QFY2004 - 79.528m shares)

YTD FY2005 - 94.750 m shares (YTD FY2004 - 79.392m 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) :-

3QFY2005 - 95.503m shares (3QFY2004 - 79.786m shares)

YTD FY2005 - 94.890 m shares (YTD FY2004 - 79.691m shares)

7 NET ASSET VALUE

	Group		Company	
	31.12.04	31.03.04	31.12.04	31.03.04
	(cents)	(cents)	(cents)	(cents)
Net asset value per ordinary share based on issued share capital	39.21	40.57	33.31	36.56

8 REVIEW OF GROUP PERFORMANCE

TURNOVER

The Group's turnover of S\$13.83m for 3QFY2005 was comparable to that of the prior corresponding quarter.

Benefiting from increased repair volumes and the extension of its operations into leasing of oilfield equipment, the Oilfield Engineering division registered significant revenue growth during the current quarter.

The Engine Systems division also enjoyed healthy revenue from its fuel injection operations. This was, however, moderated by weaker turbocharger activities.

Activities of the Subsea Robotics division also remained subdued during the quarter.

Year-to-date, the Group achieved a turnover of S\$43.01m for the nine months ended 31 December 2004, representing a 13% improvement over the comparative nine-month period.

PROFITABILITY

The Group registered marked improvements in its operating profit before tax from S\$0.07m in 3QFY2004 to S\$0.92m in 3QFY2005, backed by better profit margins from its Oilfield Engineering operations and a share of stronger associate results from RCR Tomlinson Ltd. The Group also recognised negative goodwill of S\$0.66m arising from earlier acquisition of shares in RCR.

The Group's profit was, however, significantly diluted by lower exchange gains and a S\$1.18m provision for impairment in respect of certain assets under construction and remotely operated vehicles ("ROVs") of its Subsea Robotics division.



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With the restructuring of its Aberdeen operations and fleet relocation fully in place for more than 6 months, the division is now in a position to conduct an effective assessment of the impact of the exercise as well as the prospects of its operations. While further widening of its operating losses is now contained, utilisation level of its ROV fleet remained low. Performance of the division remains pivotal upon its ability to establish itself as an integrated subsea service provider. Accordingly, the division deemed it appropriate to write down the value of some of its assets.

Weak performance of the turbocharger operations also impacted the results of Engine Systems division in 3QFY2005 despite healthy contributions from the fuel injection unit.

Despite the improved performance in 3QFY2005, the Group posted a profit before tax of S\$1.27m year-to-date, which represents a 6% decline from that of the comparative nine months. This was due to the Group's weaker performance in the first half of the financial year.

9 VARIANCE FROM PROSPECT STATEMENT

No variance noted.

10 PROSPECTS

The recovery witnessed in the oilfield equipment repair segment during 3QFY2005 is expected to continue into 4QFY2005. Efforts to extend its oilfield equipment leasing operations will continue to be an area of emphasis for the Oilfield Engineering division in the coming months.

The Subsea Robotics division will continue to pursue strategic alliances with other established subsea service providers in complementary activities. Review of its performance, and correspondingly assessment for impairment of its assets, will be conducted on an on-going basis.

Competitive pressures in the turbocharger operations is likely to intensify with the influx of cheaper imports into Australia. Active measures have been implemented to expand its marketing base through leveraging on its nationwide network in Australia.

The Group will not be taking up its share of RCR's results during 4QFY2005 since it would only be able to account for RCR's results once every half yearly as announced previously. The Group will, however, continue to recognize negative goodwill arising from its investment in RCR.

Barring unforeseen circumstances, the Group is expected to register a weaker 4th quarter performance in the current financial year.

11 DIVIDENDS

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

Present Period

Name of Dividend	Not Applicable
Dividend Type	
Dividend Rate	
Par Value of Shares	
Tax Rate	

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

Previous Corresponding Period

Name of Dividend	Not Applicable
Dividend Type	
Dividend Rate	
Par Value of Shares	
Tax Rate	

c) Date payable

Not Applicable

d) Books closure date

Not Applicable

BY ORDER OF THE BOARD

Fong Choon Seng
Company Secretary
14.02.05