



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

PRESS RELEASE

MTQ POSTS 3RD PROFIT OF S\$3.3M
EARNINGS LIFTED BY GAIN ON DILUTION OF ASSOCIATE INVESTMENT

SINGAPORE – 10 February 2006 – Mainboard-listed engineering group MTQ Corporation Limited today reported net profit of S\$3.3m for 3QFY06, a marked increase over that achieved in 3QFY05. Year-to-date, the Group registered a net profit of S\$4.0m for the 9 months ended 31 December 2005, which compares against a net profit of S\$0.4m posted in the comparative period.

The improvement was mainly led by the following:

- Gain on dilution of MTQ's shareholding in associate, RCR Tomlinson Ltd ("RCR") following RCR's share placement at a significant premium above its net assets value;
- The Group's share of a stronger set of RCR's results;
- Stronger earnings from the Oilfield Engineering division;
- Reduced operating losses from the Subsea Robotics division following the divestment of its ROV fleet, coupled with a net gain on disposition; and
- Absence of a significant provision for impairment of the ROV assets made in 3QFY05.

The Engine Systems division, however, incurred further losses as it experienced declined earnings from the marine-based large frame turbocharger as well as the fuel injection units. The division is developing strategic moves in the form of appropriate consolidation of branch resources, expanding the distribution of fuel injection parts through its branch network, improved inventory management, and introduction of a re-

manufacturing program offering customers more timely and cost effective service through an exchange system. At the same time, more concerted effort on the marketing front will now be directed towards land-based large frame turbocharger segments.

Positive payoffs from the distribution of automotive performance products continued to be seen this quarter. The division will be seeking deeper market penetration through more aggressive marketing approach. Performance of the division is expected to improve in the new financial year.

Benefiting from the buoyant energy sector and increased exploration activities, the Group's Oilfield Engineering division enjoyed higher utilization of its workshop capacity as it garnered higher repair work volumes. Parallel to this growth, the oilfield equipment rental operations also reached out to a wider spectrum of customers and simultaneously broadened its range of equipment available for rental. Such initiatives has generated encouraging outcomes.

In anticipation of a sustained positive market climate, the Group embarked on an expansion of its manufacturing capabilities through capital investments of approximately S\$5.6m in new production machines. These machines, which will arrive on staggered deliveries, are expected to boost the performance of the division in the coming year. The purchase will be funded through new borrowings and internal resources.

Mr K.K. Kuah, Chairman & CEO of MTQ Group, commented, "Following our venture into oilfield equipment leasing, this new expansion further demonstrates the strength of our oilfield operations. Continuing to grow the traditional repair services operation remains a key agenda for the division. Given its market leadership position in the oilfield repair sector, however, seeking more broad-based expansion and the move to offer a wider spectrum of services would be pivotal in propelling the division towards attaining meaningful growth."

Following the divestment of its ROV fleet during 2QFY2006, the Group's Subsea Robotics division is now slated for a full wind down progressively. Unlike prior comparative quarter, the division incurred much reduced operating losses in the current quarter due to the absence of hefty depreciation and operating expenses incurred previously.

Year-to-date, the Group netted a S\$2.1m gain on dilution of its shareholding in RCR. Following its share placement exercise completed on 29 November 2005, the Group's stake in RCR was reduced to 19.11%. Consequently, RCR ceased to be an associate of the Group. While the Group took up its share of RCR's results and net assets up to 29 November 2005, its investment in RCR will forthwith be accounted as a long term investment. Under prevailing accounting standards (FRS39 – Financial Instruments), the carrying amount of the Group's investment in RCR was increased by S\$5.32m million upon measuring it at fair value as at 31 December 2005. The fair value adjustment had been taken up as part of shareholders' equity and will only be recognised in the profit and loss account upon realisation of the investment in RCR.

About MTQ

MTQ Corporation Limited Group specialises in engineering services, and is primarily involved in oilfield equipment repairs and rental operations. MTQ is the authorised repair workshop for OEMs such as Cooper Cameron, Varco-Shaffer and QVM, and is accredited to carry out manufacturing and repair works in accordance to American Petroleum Institute standards 6A and 16A. Through its wholly owned subsidiary, MTQ Engine Systems (Aust) Pty Ltd, the Group is also the leading independent supplier of turbocharger and fuel injection parts and services in Australia with a nationwide network of 14 branches. The Group recently divested its fleet of subsea remotely operated vehicles.

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