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

PRESS RELEASE

MTQ REPORTS FULL YEAR LOSS OF S$1.96M

AFTER S$5.10 IMPAIRMENT PROVISION FOR ITS ROV ASSETS

SINGAPORE – 30 MAY 2005 – Mainboard-listed engineering group MTQ Corporation Limited ("MTQ Group") today reported a loss of S$2,975,000 for the 4th quarter, bringing its FY2005 performance to a full-year loss of S$1,964,000. The loss was registered after a S$5,099,000 provision for impairment in respect of the ROV assets of its Subsea Robotics division and significantly lower exchange gains in current financial year.

The Group's Subsea Robotics division continued to sustain further operating loss during the year despite active marketing of its services in the Asia and Middle East region. The division's efforts to establish itself as an integrated subsea services provider through strategic alliance with other subsea service providers had also reached no success that could have otherwise reinforced its competitive strength.

In view of the limitation in its ability to turnaround the fleet operations under prevailing market environment which favours integrated service providers, the division will now include divestment of the ROV fleet as one of its business options. Accordingly, the Group has deemed it appropriate to make additional provision for impairment loss in respect of the ROV fleet to reflect its estimated realizable value based on market enquiries.

Mr K.K. Kuah, Chairman and CEO of MTQ Group, commented that "Divesting the ROV fleet is now contemplated as this will not only insulate the Group from further losses in the subsea fleet operations, but will also free up resources for other existing core operations which offer promising growth potential."

Meanwhile, the ongoing business integration program, at the expense of significant management attention and resources, had affected the performance of the Engine Systems division. Severe competitive pressures on the turbocharger operations had also depressed earnings. Notwithstanding this, the division expects to reap significant synergistic benefits in terms of resource planning, marketing as well as inventory management upon completion of its business integration exercise scheduled in 2QFY2006. This would position the division better to take on the anticipated business challenges. Its Surabaya operations is also witnessing growing work volumes and repeat patronage from quality conscious customers. In response to persistent demands from such customers, the unit is considering expanding its operations into Jakarta.

The Group's Oilfield Engineering division delivered stronger contributions as its expansion into the leasing of oilfield equipment raked in creditable maiden income. Its repair and servicing segment also improved markedly amidst the upturn in oil and gas exploration activities in its key Asian markets which is expected to sustain well into FY2006. In line with the Group's strategic growth objectives, the division will prepare itself to undertake additional complementary activities by enhancing its workshop capabilities with planned capital investment. This should add resilience to the division's earnings power amidst the varied cyclical movements associated with the different segments of oil and gas industry. As for the oilfield equipment leasing operations, earnings prospect will hinge much on the ability to secure a broader customer base given its existing reliance on certain key rental contracts.

During the current year, the Group enjoyed an excellent 157% growth in its share of associate's earnings (including recognition of negative goodwill) from prior year's S$1,366,000 to a stellar S$3,514,000. Benefiting from a buoyant resource sector in Australia, the Group's associate, RCR Tomlinson Limited (RCR), had posted record profits.

In FY2006, the Group will continue to enjoy its share of a strong set of associate results with expectations of continued improvement in RCR's performance and additional contributions from its newly acquired businesses. The Group will, however, no longer recognize credits to its profit & loss arising from the recognition of negative goodwill included in its existing investment in RCR upon adoption of the accounting standard FRS103 – Business Combinations.

Barring unforeseen circumstances, the Group is expected to return to profitability in the new financial year.

On top of the interim dividend of 4% (less tax) paid out on 26 November 2004, the Directors have proposed a final dividend of 6% (less tax) to be paid in respect of FY2005 subject to shareholders' approval.

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.