

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::FIRST QUARTER RESULTS**Issuer & Securities****Issuer/ Manager**

MTQ CORPORATION LIMITED

Securities

MTQ CORPORATION LIMITED - SG0507000073 - M05

MTQ CORPORATION LIMITEDW230417 - SG5HA0000002 - CRWW

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Announcement Details**Announcement Title**

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Please see attached.

Additional Details**For Financial Period Ended**

30/06/2019

Attachments[MTQ_1QFY2020 Financial Results.pdf](#)[MTQ_1QFY2020 Press Release.pdf](#)

Total size =711K MB



MTQ CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number 196900057Z)

Unaudited Financial Statements And Dividend Announcement For The Quarter Ended 30 June 2019

1(a) A statement of comprehensive income for the group together with a comparative statement for the corresponding period of immediately preceding financial year.

(i) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2019

| | Group | | |
|--|-----------------------|----------------|---------------|
| | 3 months ended | | |
| | 30.6.19 | 30.6.18 | Change |
| | S\$'000 | S\$'000 | % |
| | | (Restated) | |
| Revenue | 38,542 | 24,283 | 59% |
| Cost of sales (Note A) | (29,695) | (19,709) | 51% |
| Gross profit | 8,847 | 4,574 | 93% |
| Other income (Note B) | 430 | 254 | 69% |
| Staff costs | (4,505) | (4,298) | 5% |
| Other operating expenses (Note C) | (3,489) | (3,662) | -5% |
| Profit/(loss) from operating activities | 1,283 | (3,132) | n/m |
| Finance costs (Note D) | (508) | (497) | 2% |
| Share of results of associate and joint ventures | 206 | - | 100% |
| Profit/(loss) before taxation | 981 | (3,629) | n/m |
| Income tax expense (Note E) | (218) | (171) | 27% |
| Profit/(loss) for the period, net of tax | 763 | (3,800) | n/m |
| Other comprehensive income: | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange difference on translation of subsidiaries, associate and joint ventures | (417) | 1,268 | n/m |
| Net fair value loss on derivatives | (30) | - | 100% |
| Other comprehensive income for the period (Note F) | (447) | 1,268 | n/m |
| Total comprehensive income for the period | 316 | (2,532) | n/m |
| Profit/(loss) for the period attributable to: | | | |
| Owners of the Company | 767 | (3,495) | n/m |
| Non-controlling interests | (4) | (305) | -99% |
| | 763 | (3,800) | n/m |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | 367 | (2,264) | n/m |
| Non-controlling interests | (51) | (268) | -81% |
| | 316 | (2,532) | n/m |

n/m : not meaningful



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Note A - Cost of sales includes :-

| | Group | | |
|---|--------------------------------------|--|-------------|
| | 3 months ended 30.6.19 S\$'000 | 3 months ended 30.6.18 S\$'000 (Restated) | Change % |
| Operating lease expenses | 3,312 | 731 | 353% |
| Depreciation of property, plant and equipment | 1,326 | 1,493 | -11% |
| Depreciation of right-of-use assets (Note G) | 15 | 15 | 0% |

Note B - Other income comprises :-

| | Group | | |
|--|--------------------------------------|--|-------------|
| | 3 months ended 30.6.19 S\$'000 | 3 months ended 30.6.18 S\$'000 (Restated) | Change % |
| Interest income | 23 | 4 | 475% |
| Rental income | 23 | - | 100% |
| Gain on sale of property, plant and equipment, net | 203 | 10 | 1930% |
| Government grants | 76 | 14 | 443% |
| Commission received | 30 | - | 100% |
| Gain on disposal of scrap material | 38 | 16 | 138% |
| Insurance claims | - | 179 | -100% |
| Others | 37 | 31 | 19% |
| | 430 | 254 | 69% |

Note C - Other operating expenses includes :-

| | Group | | |
|--|--------------------------------------|--|-------------|
| | 3 months ended 30.6.19 S\$'000 | 3 months ended 30.6.18 S\$'000 (Restated) | Change % |
| Depreciation of property, plant and equipment | 226 | 270 | -16% |
| Depreciation of right-of-use assets (Note G) | 603 | 569 | 6% |
| Amortisation of intangible assets | 57 | 45 | 27% |
| Loss/(gain) on foreign exchange, net | 78 | (26) | n/m |
| Reversal of allowance for impairment of trade receivables, net | (59) | - | 100% |
| Bad debts written-off, net | 2 | - | 100% |
| Reversal of allowance for inventory obsolescence | (4) | (9) | -56% |
| Audit, legal, consultancy and professional fees | 708 | 771 | -8% |
| Utilities expenses | 364 | 370 | -2% |

Note D - Finance costs comprises :-

| | Group | | |
|------------------------------|--------------------------------------|--|-------------|
| | 3 months ended 30.6.19 S\$'000 | 3 months ended 30.6.18 S\$'000 (Restated) | Change % |
| Interest on: | | | |
| - bank loans | 259 | 243 | 7% |
| - finance lease payables | 12 | 1 | 1100% |
| - lease liabilities (Note G) | 237 | 253 | -6% |
| | 508 | 497 | 2% |

Note E - Income tax expense :-

Included in the income tax expense were:-

| | Group | | |
|---|--------------------------------------|--|-------------|
| | 3 months ended 30.6.19 S\$'000 | 3 months ended 30.6.18 S\$'000 (Restated) | Change % |
| Under/(over) provision in respect of previous years | | | |
| - current taxation | 16 | 16 | 0% |
| - deferred taxation | (5) | - | 100% |

Note F - Disclosure of tax effect relating to other comprehensive income :-

There was no tax expense/benefit incurred/derived from any component of other comprehensive income.

Note G - Adoption of SFRS(I) 16 Leases

The depreciation of right-of-use assets and the interest expense on lease liabilities were resulted from the adoption of SFRS (I) 16 Leases. Please refer to paragraph 5 for more information.



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Unaudited Financial Statements And Dividend Announcement For The Quarter Ended 30 June 2019

1(b)(i) A statement of financial position (for the Issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

Non-current assets

Goodwill
Intangible assets
Investment property
Property, plant and equipment
Right-of-use assets (Note A)
Investment in subsidiaries
Investment in associate and joint ventures
Receivables
Prepayments
Deferred tax assets

Current assets

Inventories
Trade and other receivables
Prepayments
Tax recoverable
Cash and cash equivalents

Total assets

Current liabilities

Trade and other payables
Finance lease payable
Lease liabilities (Note A)
Bank borrowings
Provisions
Provision for taxation

Non-current liabilities

Trade and other payables
Finance lease payable
Lease liabilities (Note A)
Bank borrowings
Deferred tax liabilities
Provisions

Total liabilities

Net assets

Equity attributable to owners of the Company

Share capital [1(d)(i)]
Treasury shares [1(d)(iv)]
Reserves [1(d)(i)]
Shareholders' funds
Non-controlling interests

Total equity

| Group | | Company | |
|--------------------|----------------------------------|--------------------|----------------------------------|
| 30.6.19 S\$'000 | 31.3.19 S\$'000 (Restated) | 30.6.19 S\$'000 | 31.3.19 S\$'000 (Restated) |
| 5,371 | 5,373 | - | - |
| 361 | 418 | - | - |
| - | - | 839 | 852 |
| 41,167 | 42,251 | 70 | 80 |
| 15,281 | 15,803 | 4,763 | 4,832 |
| - | - | 51,097 | 50,819 |
| 4,012 | 3,824 | 3,718 | 3,718 |
| 3,136 | 3,161 | 48,361 | 48,946 |
| 2 | 6 | 2 | 6 |
| 687 | 901 | - | - |
| 70,017 | 71,737 | 108,850 | 109,253 |
| 16,322 | 14,971 | - | - |
| 38,944 | 36,979 | 14,606 | 14,457 |
| 3,787 | 1,600 | 79 | 74 |
| - | - | - | - |
| 15,132 | 19,815 | 2,603 | 3,265 |
| 74,185 | 73,365 | 17,288 | 17,796 |
| 144,202 | 145,102 | 126,138 | 127,049 |
| (29,797) | (30,721) | (1,156) | (1,080) |
| (835) | (131) | - | - |
| (2,134) | (2,188) | (224) | (222) |
| (16,651) | (1,013) | (7,411) | (1,013) |
| (857) | (897) | - | - |
| (591) | (729) | (27) | (18) |
| (50,865) | (35,679) | (8,818) | (2,333) |
| (187) | (199) | (2,639) | (2,640) |
| (142) | (173) | - | - |
| (16,003) | (16,434) | (5,808) | (5,865) |
| (4,801) | (20,713) | (4,801) | (11,465) |
| (402) | (418) | (51) | (48) |
| (269) | (269) | (87) | (87) |
| (21,804) | (38,206) | (13,386) | (20,105) |
| (72,669) | (73,885) | (22,204) | (22,438) |
| 71,533 | 71,217 | 103,934 | 104,611 |
| 48,914 | 48,914 | 48,914 | 48,914 |
| (3) | (3) | (3) | (3) |
| 19,718 | 19,351 | 55,023 | 55,700 |
| 68,629 | 68,262 | 103,934 | 104,611 |
| 2,904 | 2,955 | - | - |
| 71,533 | 71,217 | 103,934 | 104,611 |

Balance Sheet Review

The change in net assets were mainly due to the total comprehensive income of S\$0.3 million recorded for the financial period. Apart from this, changes in working capital items were mainly due to timing differences.

Approximately S\$15.6 million of bank borrowings have been reclassified from non-current to current liabilities as the bank facilities now mature within one year from reporting date. The Group is currently in discussions with its principal bankers on the renewal of the facilities.

Note A:

Right-of-use assets and lease liabilities recognised in the statement of financial position were resulted from the adoption of SFRS(I) 16 Leases. Please refer to paragraph 5 for more information.



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Unaudited Financial Statements And Dividend Announcement For The Quarter Ended 30 June 2019

I(b)(ii) Aggregate amount of the group's borrowings and debt securities as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

| | 30.6.19 | | 31.3.19 | |
|--|--------------------|----------------------|--------------------|----------------------|
| | Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| Amount repayable in one year or less, or on demand | 1,846 | 15,640 | 1,144 | - |
| Amount repayable after one year | 4,943 | - | 5,238 | 15,648 |
| | <u>6,789</u> | <u>15,640</u> | <u>6,382</u> | <u>15,648</u> |

The Group's borrowings and finance leases as at 30 June 2019 increased from S\$22.0 million to S\$22.4 million mainly due to increase of finance lease, partially offset by the fixed repayment of a bank loan. Details of the collateral for the secured bank borrowings are as follows:

S\$5.8 million secured facility

- First all-monies registered legal mortgage over a leasehold land and property at Bahrain International Investment Park, Hidd, Kingdom of Bahrain;
- First registered fixed and floating charge over the assets of a subsidiary;
- Registered charge over the interest-bearing loan from the Company to a subsidiary.

There were no debt securities as at 30 June 2019 and 31 March 2019.



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1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 30 JUNE 2019

| | Group | |
|--|---------------------------------------|--|
| | 3 months ended 30.6.19 S\$'000 | 3 months ended 30.6.18 S\$'000 (Restated) |
| Cash flows from operating activities: | | |
| Profit/(loss) before taxation | 981 | (3,629) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 1,552 | 1,763 |
| Depreciation of right-of-use assets | 618 | 584 |
| Amortisation of intangible assets | 57 | 45 |
| Gain on sale of property, plant and equipment, net | (203) | (10) |
| Reversal of allowance for impairment of trade receivables, net | (59) | - |
| Bad debts written-off, net | 2 | - |
| Reversal of allowance for inventory obsolescence | (4) | (9) |
| Share of results of associate and joint ventures | (206) | - |
| Provisions made during the period | 54 | 4 |
| Interest income | (23) | (4) |
| Interest expense | 508 | 497 |
| Operating cash flows before changes in working capital | 3,277 | (759) |
| (Increase)/decrease in inventories and work-in-progress | (1,840) | 984 |
| Increase in receivables and prepayments | (3,692) | (1,718) |
| Decrease in payables | (739) | (175) |
| Currency realignment | (21) | 491 |
| Cash generated used in operations | (3,015) | (1,177) |
| Interest income received | 23 | 4 |
| Interest expense paid | (508) | (497) |
| Income taxes paid, net | (197) | (70) |
| Net cash generated used in operating activities | (3,697) | (1,740) |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (316) | (227) |
| Addition of intangible assets | - | (45) |
| Proceeds from disposal of property, plant and equipment | 344 | 17 |
| Investment in a joint venture | - | (1,796) |
| Loans to joint ventures | - | (664) |
| Loans granted to staff | - | (48) |
| Loans repaid by staff | 10 | 7 |
| Net cash generated from/(used in) investing activities | 38 | (2,756) |
| Cash flows from financing activities: | | |
| Proceeds from Rights cum Warrants Issue | - | 12,107 |
| Repayment of bank borrowings | (257) | (250) |
| Repayment of finance lease payable | (63) | (49) |
| Repayment of principal portion of lease liabilities | (568) | (530) |
| Net cash (used in)/generated from financing activities | (888) | 11,278 |
| Net change in cash and cash equivalents | (4,547) | 6,782 |
| Cash and cash equivalents at beginning of financial period | 19,815 | 10,759 |
| Effect of exchange rate changes on cash and cash equivalents | (136) | 44 |
| Cash and cash equivalents at end of financial period | 15,132 | 17,585 |

Note

Cash and cash equivalents consist of the following:-

| | Group | |
|--------------------------|------------------------------|------------------------------|
| | As at 30.6.19 S\$'000 | As at 30.6.18 S\$'000 |
| Fixed deposits | 3,889 | 9,105 |
| Cash at bank and on hand | 11,243 | 8,480 |
| | 15,132 | 17,585 |

Cash Flows Review

The Group recorded an operating cash inflow of S\$3.3 million before changes in working capital, in line with the profit before tax. Working capital requirements, however, increased together with the increase in activities during the period which resulted in negative operating cash flows for the Group for the period. Including the routine repayment of a bank borrowing, the Group cash as at 30 June 2019 stood at S\$15.1 million.



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Unaudited Financial Statements And Dividend Announcement For The Quarter Ended 30 June 2019

1(d)(i) A statement (for the Issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE QUARTER ENDED 30 JUNE 2019

| <u>Group</u> | Attributable to owners of the Company | | | | | Shareholders' Funds | Non-Controlling Interest | Total Equity |
|--|---------------------------------------|-----------------|--------------------------------------|-------------------|----------------|---------------------|--------------------------|--------------|
| | Share Capital | Treasury Shares | Foreign Currency Translation Reserve | Retained Earnings | Other Reserves | | | |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | | | |
| Balance as at 1 April 2018 (As previously reported) | 36,807 | (3) | (3,152) | 28,224 | 1,310 | 63,186 | 3,504 | 66,690 |
| Adoption of SFRS(I) 16 | - | - | - | (2,223) | - | (2,223) | (102) | (2,325) |
| Balance as at 1 April 2018 (Restated) | 36,807 | (3) | (3,152) | 26,001 | 1,310 | 60,963 | 3,402 | 64,365 |
| Loss for the period, net of tax | - | - | - | (3,495) | - | (3,495) | (305) | (3,800) |
| Other comprehensive income | | | | | | | | |
| Exchange difference on translation of subsidiaries, associate and joint ventures | - | - | 1,231 | - | - | 1,231 | 37 | 1,268 |
| Other comprehensive income for the period | - | - | 1,231 | - | - | 1,231 | 37 | 1,268 |
| Total comprehensive income for the period | - | - | 1,231 | (3,495) | - | (2,264) | (268) | (2,532) |
| Contributions by and distributions to owners | | | | | | | | |
| Issuance of ordinary shares pursuant to MTQ Rights cum Warrants | | | | | | | | |
| Issue, net of transaction costs | 12,107 | - | - | - | - | 12,107 | - | 12,107 |
| Total contributions by and distribution to owners | 12,107 | - | - | - | - | 12,107 | - | 12,107 |
| Balance as at 30 June 2018 (Restated) | 48,914 | (3) | (1,921) | 22,506 | 1,310 | 70,806 | 3,134 | 73,940 |
| Balance as at 31 March 2019 (As previously reported) | 48,914 | (3) | (2,789) | 23,319 | 1,259 | 70,700 | 3,070 | 73,770 |
| Adoption of SFRS(I) 16 | - | - | - | (2,438) | - | (2,438) | (115) | (2,553) |
| Balance as at 31 March 2019 (Restated) and 1 April 2019 | 48,914 | (3) | (2,789) | 20,881 | 1,259 | 68,262 | 2,955 | 71,217 |
| Profit for the period, net of tax | - | - | - | 767 | - | 767 | (4) | 763 |
| Other comprehensive income | | | | | | | | |
| Exchange difference on translation of subsidiaries, associate and joint ventures | - | - | (374) | - | - | (374) | (43) | (417) |
| Net fair value loss on derivatives | - | - | - | - | (26) | (26) | (4) | (30) |
| Other comprehensive income for the period | - | - | (374) | - | (26) | (400) | (47) | (447) |
| Total comprehensive income for the period | - | - | (374) | 767 | (26) | 367 | (51) | 316 |
| Balance as at 30 June 2019 | 48,914 | (3) | (3,163) | 21,648 | 1,233 | 68,629 | 2,904 | 71,533 |



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Unaudited Financial Statements And Dividend Announcement For The Quarter Ended 30 June 2019

STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE QUARTER ENDED 30 JUNE 2019

Company

| | Share Capital | Treasury Shares | Retained Earnings | Other Reserve | Shareholders' Funds |
|---|---------------|-----------------|-------------------|---------------|---------------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance as at 1 April 2018 (As previously reported) | 36,807 | (3) | 73,430 | 2,516 | 112,750 |
| Adoption of SFRS(I) 16 | - | - | (1,189) | - | (1,189) |
| Balance as at 1 April 2018 (Restated) | 36,807 | (3) | 72,241 | 2,516 | 111,561 |
| Profit for the period, representing total comprehensive income for the period | - | - | 513 | - | 513 |
| Issuance of ordinary shares pursuant to MTQ Rights cum Warrants | 12,107 | - | - | - | 12,107 |
| Issue, net of transaction costs | 12,107 | - | - | - | 12,107 |
| Total contributions by and distribution to owners | 12,107 | - | - | - | 12,107 |
| Balance as at 30 June 2018 (Restated) | 48,914 | (3) | 72,754 | 2,516 | 124,181 |
| Balance as at 31 March 2019 (As previously reported) | 48,914 | (3) | 54,439 | 2,516 | 105,866 |
| Adoption of SFRS(I) 16 | - | - | (1,255) | - | (1,255) |
| Balance as at 31 March 2019 (Restated) and 1 April 2019 | 48,914 | (3) | 53,184 | 2,516 | 104,611 |
| Loss for the period, representing total comprehensive income for the period | - | - | (677) | - | (677) |
| Balance as at 30 June 2019 | 48,914 | (3) | 52,507 | 2,516 | 103,934 |



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1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

| | 30.6.19 (S\$'000) | 31.3.19 (S\$'000) |
|---|------------------------------------|------------------------------------|
| Share Capital | 48,914 | 48,914 |
| | | |
| | 30.6.19 ('000) | 30.6.18 ('000) |
| Total number of issued shares | 216,327 | 216,327 |
| Total number of treasury shares | 8 | 8 |
| Total number of issued shares excluding treasury shares | 216,319 | 216,319 |

There were no subsidiary holdings as at 30 June 2019 and 30 June 2018.

MTQ Share Plan

As at 30 June 2019, the aggregate number of shares comprised in Awards granted pursuant to the MTQ Share Plan which are not released and warrants pursuant to the MTQ Rights cum Warrants Issue in FY19 amounted to 11,392 shares (30 June 2018: 11,392) and 15,451,245 (30 June 2018: 15,451,245) respectively.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

| | 30.6.19 ('000) | 31.3.19 ('000) |
|---|---------------------------------|---------------------------------|
| Total number of issued shares | 216,327 | 216,327 |
| Total number of treasury shares | 8 | 8 |
| Total number of issued shares excluding treasury shares | 216,319 | 216,319 |

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There was no movement in treasury shares in the quarter ended 30 June 2019. There were 8,303 treasury shares as at 30 June 2019 and 31 March 2019.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Nil.

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the Company's auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial reporting period as those applied in the audited financial statements for the year ended 31 March 2019, except as disclosed in paragraph 5 below.



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5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

On 1 April 2019, the Group and the Company adopted all new and revised SFRS(I)s and INT SFRS(I)s that are relevant to its operations and are effective for annual periods beginning on or after 1 January 2019.

The adoption of new/revised SFRS(I)s and INT SFRS(I)s did not have any significant impact on the financial performance or position of the Group except for the following:

a) Application of SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees - leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group has adopted SFRS(I) 16 using the full retrospective method of adoption with the date of initial application on 1 April 2019. On the adoption of SFRS(I) 16, the Group had measured the right-of-use asset at its carrying amount as if SFRS(I) 16 had been applied since the commencement date discounted using the lessee's incremental borrowing rate as of the date of commencement of the lease.

In addition, the Group elected the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of commencement date.

On the adoption of SFRS(I) 16, the Group had recognised right-of-use assets and lease liabilities for its leases previously classified as operating leases.

b) Comparatives

The comparative figures that have been restated arising from the adoption of SFRS(I) described above are summarised below:

Consolidated statement of comprehensive income

3 months ended 30 June 2018

| | As previously reported (S\$'000) | Effect of SFRS(I) 16 (S\$'000) | Restated (S\$'000) |
|--------------------------|-------------------------------------|-----------------------------------|-----------------------|
| Cost of sales | (19,721) | 12 | (19,709) |
| Other operating expenses | (3,855) | 193 | (3,662) |
| Finance costs | (244) | (253) | (497) |

Statement of financial position (Group)

As at 31 March 2019

| | As previously reported (S\$'000) | Effect of SFRS(I) 16 (S\$'000) | Restated (S\$'000) |
|---|-------------------------------------|-----------------------------------|-----------------------|
| <u>Non-current assets</u> | | | |
| Right-of-use assets | - | 15,803 | 15,803 |
| <u>Current assets</u> | | | |
| Prepayments | 1,638 | (38) | 1,600 |
| <u>Current liabilities</u> | | | |
| Trade and other payable | (31,025) | 304 | (30,721) |
| Lease liabilities | - | (2,188) | (2,188) |
| <u>Non-current liabilities</u> | | | |
| Lease liabilities | - | (16,434) | (16,434) |
| <u>Equity attributable to owners of the Company</u> | | | |
| Retained earnings | 23,319 | (2,438) | 20,881 |
| Non-controlling interests | 3,070 | (115) | 2,955 |

As at 1 April 2018

| | As previously reported (S\$'000) | Effect of SFRS(I) 16 (S\$'000) | Restated (S\$'000) |
|---------------------------|-------------------------------------|-----------------------------------|-----------------------|
| Right-of-use assets | - | 17,422 | 17,422 |
| Prepayments | 1,607 | (31) | 1,576 |
| Trade and other payable | (19,060) | 312 | (18,748) |
| Lease liabilities | - | (2,039) | (2,039) |
| Lease liabilities | - | (17,989) | (17,989) |
| Retained earnings | 28,224 | (2,223) | 26,001 |
| Non-controlling interests | 3,504 | (102) | 3,402 |

Statement of financial position (Company)

As at 31 March 2019

| | As previously reported (S\$'000) | Effect of SFRS(I) 16 (S\$'000) | Restated (S\$'000) |
|---|-------------------------------------|-----------------------------------|-----------------------|
| <u>Non-current assets</u> | | | |
| Right-of-use assets | - | 4,832 | 4,832 |
| <u>Current liabilities</u> | | | |
| Lease liabilities | - | (222) | (222) |
| <u>Non-current liabilities</u> | | | |
| Lease liabilities | - | (5,865) | (5,865) |
| <u>Equity attributable to owners of the Company</u> | | | |
| Retained earnings | 54,439 | (1,255) | 53,184 |

As at 1 April 2018

| | As previously reported (S\$'000) | Effect of SFRS(I) 16 (S\$'000) | Restated (S\$'000) |
|---------------------|-------------------------------------|-----------------------------------|-----------------------|
| Right-of-use assets | - | 5,137 | 5,137 |
| Lease liabilities | - | (212) | (212) |
| Lease liabilities | - | (6,114) | (6,114) |
| Retained earnings | 73,430 | (1,189) | 72,241 |

Consolidated statement of cash flows

3 months ended 30 June 2018

| | As previously reported (S\$'000) | Effect of SFRS(I) 16 (S\$'000) | Restated (S\$'000) |
|---|-------------------------------------|-----------------------------------|-----------------------|
| <u>Cash flows from operating activities</u> | | | |
| Depreciation of right-of-use assets | - | 584 | 584 |
| Increase in receivables and prepayments | (1,712) | (6) | (1,718) |
| Interest expense | 244 | 253 | 497 |
| Interest expense paid | (244) | (253) | (497) |
| <u>Cash flows from financing activities</u> | | | |
| Repayment of principal portion of lease liabilities | - | (530) | (530) |



MTQ CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number 196900057Z)

Unaudited Financial Statements And Dividend Announcement For The Quarter Ended 30 June 2019

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

| | Group | |
|--|----------------------------------|--|
| | 3 months ended 30.6.19 | 3 months ended 30.6.18 (Restated) |
| Earnings per ordinary share:- | | |
| Basic (cents) | 0.35 | (1.71) |
| Diluted (cents) | 0.35 | (1.71) |
| Profit/(loss) attributable to owners of the Company (S\$'000) | 767 | (3,495) |
| Weighted average number of ordinary shares for basic earnings per share computation ('000) | 216,318 | 204,772 |
| Effects of dilution: | | |
| - Employee share-based payment scheme ('000) | 11 | - |
| Weighted average number of ordinary shares for diluted earnings per share computation ('000) | 216,329 | 204,772 |

The outstanding warrants are excluded from the calculation of diluted loss per share as the average market price of ordinary shares during the 3 months ended 30 June 2019 was lower than the exercise price of the warrants. The potential ordinary shares that would be issued under MTQ Share Plan are also excluded from the calculation of diluted loss per share for the 3 months ended 30 June 2018 due to its anti-dilutive effect.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.

| | Group | | Company | |
|-------------------------------------|------------------|--------------------------------|------------------|--------------------------------|
| | 30.6.19 (S\$) | 31.3.19 (S\$) (Restated) | 30.6.19 (S\$) | 31.3.19 (S\$) (Restated) |
| Net asset value per ordinary share* | 0.32 | 0.32 | 0.48 | 0.48 |

* Based on the net assets after deducting the non-controlling interests, divided by total number of issued shares excluding treasury shares as at the reporting dates.

8 A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

3 months ended 30 June 2019 ("1QFY2020") vs 3 months ended 30 June 2018 ("1QFY2019")

The Group reported revenue of S\$38.5 million in 1QFY2020, an increase of 59% year-on-year as it continues its trend from 4QFY2019. Activities across all segments within the Group were higher than that a year ago and led to better gross margins overall.

The increase in other income was mainly due to one-off gains arising from disposal of some under-deployed assets.

While overall operational costs remain relatively unchanged, staff costs increased slightly as the Group employs more resources to support the growth in activities.

Overall, the Group reported a net profit of S\$0.8 million for 1QFY2020, contributed mainly by the Oilfield Engineering segment. The Neptune segment, despite recording higher revenue, posted a small loss for the quarter.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast nor prospect statement has been previously disclosed to shareholders.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Oilfield Engineering segment continued to make steady progress towards improving profitability. The orders the Group have on hand and general level of enquiries are encouraging for the rest of the year even as the overall macro economy weakens.

The Neptune segment recorded positive EBITDA for the quarter with a small overall loss. The outlook for the segment is strengthening but overall profitability requires better margins and higher activity levels.

Operational execution will be the Group's near term focus in improving overall performance.

11 If a decision regarding dividend has been made, the required information has been disclosed.

a) Current Financial Period Reported On

Any dividend declared for the present financial period? No

b) Corresponding Period of the Immediate Preceding Financial Year

Any dividend declared for the previous corresponding period? No

12 If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared/recommended for the current financial period reported on to maintain a prudent balance sheet and conserve cash.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for IPTs.

14 Negative confirmation by the Board pursuant to Rule 705(5)

The Board of Directors confirms that, to the best of their knowledge, nothing has come to their attention which may render the financial results of the Company and of the Group for the quarter ended 30 June 2019 to be false or misleading, in any material aspect.

15 Confirmation of Undertakings from all its directors and executive officers pursuant to Rule 720(1) of the Listing Manual

Pursuant to Listing Rule 720(1), the Company has received undertakings from all its directors and executive officers in the form as set out in Appendix 7.7 of the SGX-ST Listing Manual.



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Unaudited Financial Statements And Dividend Announcement For The Quarter Ended 30 June 2019

16 Use of Net Proceeds from Rights cum Warrants Issue

The board of directors (the "Board") of MTQ Corporation Limited (the "Company") refers to the Company's announcements made on 30 January 2018, 5 March 2018, 14 March 2018, 26 March 2018, 17 April 2018, 18 April 2018, 14 May 2018, 29 June 2018, 26 July 2018, 31 October 2018, 29 January 2019, 13 May 2019 and 12 July 2019 as well as the Offer Information Statement dated 23 March 2018 and the status report on the use of Net Proceeds in the Company FY2017/2018 and FY2018/2019 Annual Reports.

Unless otherwise defined, all capitalised terms and references used herein shall bear the same meaning ascribed to them in the Offer Information Statement. Any reference to a time of day and date herein shall be a reference to Singapore time and date, respectively, unless otherwise stated.

The Board wishes to update Shareholders that a further S\$0.3 million of the Net Proceeds has been utilised for debt repayment.

Together with the S\$10.5 million utilised as announced on SGXNET on 12 July 2019, the Company has utilised S\$10.8 million of the Net Proceeds as set out below:

| S/N | Use of Net Proceeds | Additional Amount Utilised S\$million | Cumulative Amount Utilised S\$million |
|-----|----------------------------|---------------------------------------|---------------------------------------|
| 1 | Payment for In-Line Shares | - | 1.8 |
| 2 | Debt Repayment | 0.3 | 1.5 |
| 3 | Working Capital* | - | 7.5 |
| | Total | 0.3 | 10.8 |

*Working capital purposes include, inter alia, payments of trade and other payables, compliance costs, professional fees and staff costs.

The above utilisation of the Net Proceeds is consistent with the intended use of Net Proceeds disclosed in the Offer Information Statement.

The Board will make periodic announcements on the utilisation of the remaining S\$1.2 million of the Net Proceeds as and when such proceeds are materially disbursed.

BY ORDER OF THE BOARD

Tan Lee Fang
Company Secretary
24 July 2019



MTQ CORPORATION LIMITED

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FOR IMMEDIATE RELEASE

- Revenue increased by 59% year-on-year
- Profit of S\$0.8 million recorded in 1QFY2020
- Repositioning Neptune to unlock some values of the segment

Singapore, 24 July 2019 – SGX Mainboard-listed MTQ Corporation Limited (“MTQ” or “Group”), an established regional engineering, maintenance and subsea services group, today reported its results for the three months ended 30 June 2019 (“1QFY2020”).

| Financial Highlights | 1QFY2020 | 1QFY2019 (Restated) | Chg |
|---|----------|------------------------|------|
| | SGD'000 | SGD'000 | % |
| | | | |
| Revenue | 38,542 | 24,283 | 59 |
| Gross Profit | 8,847 | 4,574 | 93 |
| Gross Profit Margin | 23.0% | 18.8% | |
| Other Income | 430 | 254 | 69 |
| Other Operating Expenses | (3,489) | (3,662) | (5) |
| Staff Costs | (4,505) | (4,298) | 5 |
| Finance Costs | (508) | (497) | 2 |
| Share of Results of Associate and Joint Ventures | 206 | - | 100 |
| Profit/(Loss) Before Tax | 981 | (3,629) | n.m. |
| Income Tax Expense | (218) | (171) | (27) |
| Profit/(Loss) After Tax | 763 | (3,800) | n.m. |

Financial Review

The Group reported revenue of S\$38.5 million in 1QFY2020, an increase of 59% year-on-year as it continues its recovery and achieves its second consecutive profitable quarter. Activities across all segments within the Group were higher than that a year ago and led to better gross margins overall.

The increase in other income was mainly due to one-off gains arising from disposal of some under-deployed assets.

While overall operational costs remain relatively unchanged, staff costs increased slightly as the Group employs more resources to support the growth in activities.

Overall, the Group reported a net profit of S\$0.8 million for 1QFY2020, contributed mainly by the Oilfield Engineering segment. The Neptune segment, despite recording higher revenue, posted a small loss for the quarter.

| Balance Sheet | 30 June 2019 | 31 Mar 2019 |
|---|---------------------|-------------------------------|
| | SGD'000 | SGD'000 (Restated) |
| Net current assets | 23,320 | 37,686 |
| Net assets | 71,533 | 71,217 |
| Cash and cash equivalents | 15,132 | 19,815 |
| Bank borrowings and finance leases | 22,429 | 22,030 |
| Shareholder's funds | 68,629 | 68,262 |
| Net gearing¹ | 9.3% | 3.0% |
| Net assets value per share² | 0.32 | 0.32 |

¹ Net gearing ratio is calculated based on net debt divided by net capitalization. The Group includes within its net debt, bank borrowings and finance lease payable excluding lease liabilities arising from the adoption of the new SFRS(I) 16 Leases, less cash and cash equivalents. Net capitalization refers to net debt plus total equity.

² Net assets value per share is calculated based on the Group's net assets after deducting the non-controlling interest, divided by the total number of issued shares excluding treasury shares as at the end of the financial period.

The Group recorded an operating cash inflow of S\$3.3 million before changes in working capital, in line with the profit before tax. Working capital requirements, however, increased together with the increase in activities during the period which resulted in negative operating cash flows for the Group for the period. Including the routine repayment of a bank borrowing, the Group cash as at 30 June 2019 stood at S\$15.1 million. Net gearing remained healthy at 9.3%.

Approximately S\$15.6 million of bank borrowings have been reclassified from non-current to current liabilities as the bank facilities now mature within one year from reporting date. The Group is currently in discussion with its principal bankers on the renewal of the facilities.

Outlook

Commenting on the financial results and outlook, Mr Kuah Boon Wee, Group Chief Executive Officer said,

“The Oilfield Engineering segment continued to make steady progress towards improving profitability. The orders we have on hand and general level of enquiries are encouraging for the rest of the year even as the overall macro economy weakens.

The Neptune segment recorded positive EBITDA for the quarter with a small overall loss. The outlook for the segment is strengthening but overall profitability requires better margins and higher activity levels. The Group has been in discussions re strengthening this segment. Accordingly, the Group has decided to unlock the value of the Neptune segment by partnering with an established subsea vessel operator which will bring synergies into our investment in this subsea space.

Meanwhile, operational execution will be our near term focus in improving overall performance.”

- End -

About MTQ Corporation Limited (Bloomberg Code: MTQ.SP)

Established in 1969, **MTQ Corporation Limited (“MTQ”)** specialises in engineering solutions for oilfield equipment, including repair, manufacture and rental operations. Well-known for its broad experience for over 30 years and commitment to service quality, MTQ is the authorised working partner for some of the world’s largest OEMs in drilling equipment, and is accredited to carry out manufacturing and repair works in accordance to American Petroleum Institute Standards. The Premier group, in addition to repair and manufacture of oilfield equipment, is also supplier of oilfield equipment and tools manufactured by some of the leading global brands. Neptune Marine Services Limited is located in Perth, Western Australia, and has operational presence in the UK and Asia. Neptune provides engineering services to offshore oil and gas, marine and renewable energy industries with a focus on subsea and topside services. The Binder group, based in Perth with a production facility in Indonesia, designs and manufactures proprietary and custom-built pipe support and pipe suspension solutions for the oil and gas sector.

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