

MTQ CORPORATION LIMITED
(Incorporated in Singapore)
Co. Registration No. 196900057Z

**ANNUAL GENERAL MEETING TO BE HELD ON 30 JULY 2021
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**

MTQ Corporation Limited (the “**Company**”) would like to thank shareholders for submitting their questions in advance of the upcoming Annual General Meeting (“**AGM**”) to be held by way of electronic means on 30 July 2021, 10.00 a.m.

The Appendix annexed herein sets out the Company’s responses to the substantial questions received from shareholders and other stakeholders that are relevant to the AGM resolutions and the business of the Company and its subsidiaries (the “**Group**”).

Please refer to the Appendix for the Group’s responses.

By Order of the Board

Tan Lee Fang
Company Secretary

Date: 29 July 2021

Appendix

1	<p>How has COVID-19 impacted the business?</p> <p>Response:</p> <p>The COVID-19 situations continues to impact the business in the manner described in the announcement dated 27 July 2020. As a result, activities along the supply chain have been slow.</p> <p>Within the organization, the Group continues to grapple with workplace safety and health issues as well as manpower issues presented by COVID-19. More information can be found under the Employment and Occupational Health and Safety sections of the Group's sustainability report (pages 144-147 of Annual Report).</p>
2	<p>What is the business outlook?</p> <p>Response:</p> <p>The Group concluded its financial year ended 31 March 2021 with lower revenue resulting from weak demand as well as disruptions caused by COVID-19. This will likely to persist in the near term although the Group is starting to see enquiries level picking up particularly towards the end of FY2021. However, any recovery is anticipated to be gradual as it takes time for these to be converted into real orders.</p>
3	<p>How dependent is the Company on foreign workers?</p> <p>Response:</p> <p>The proportion of foreign workers varies across different departments depending on the nature of work required within the Group. As at 31 March 2021, foreign workers made up about 30% of the total workforce in Singapore.</p>
4	<p>Please provide some colours as to the new sectors of growth being considered outside of fossil fuels. What competencies will need to be developed and what CAPEX/investment is likely to be required in these new areas? How is this likely to be funded?</p> <p>Response:</p> <p>Currently, there is no concrete plan nor any specific sectors that the Group is pursuing. However, just to cite an example – the Group could explore into the renewables space, or any new sector that will likely to require heavy engineering services, which is the Group's core expertise, so that we can rely on existing resources to maximise synergy and minimise new investments/CAPEX.</p>

5	<p>In Note 23 of the Notes to the Financial Statements, there is no “customer deposits/prepayments” within current liabilities. Does the Company demand down-payments from customers to purchase materials before work commences?</p> <p>Response:</p> <p>The Group may request for advance payments from customers before work commences or deliveries mainly to manage credit risks and for improving working capital requirements. Deposits/Advances received from customers have been presented together within Trade Creditors as it is “trade” in nature.</p>
6	<p>Why has the inventory obsolescence increased significantly in FY2021? Inventory has also decreased significantly less than the decrease in sales in FY2021. Moving forward, what steps is the Company taking to improve inventory turnover?</p> <p>Response:</p> <p>The inventory obsolescence recognized in FY2021 was largely relating to the trading business within the Premier CGU. Please refer to page 79 of the Annual Report under “Impairment loss recognized” for more information.</p> <p>These inventories were mostly brought forward from a buoyant period before demand for capital expenditure in the industry slowed down amid the plunge in oil price in 2015. Although the trading sales picked up slightly in FY2020, it decreased significantly in FY2021 triggering the need for an increased provision during the year.</p> <p>The Group has been minimizing restocking such inventories since 2015 unless there are confirmed orders. Other steps taken to improve the turnover of such inventories includes cross-selling the products via lease arrangements and reaching out to other geographical markets via consignment arrangements with strategic partners.</p> <p>Apart from the above category and work-in-progress, the Group is employing standard inventory turnover management strategies (proper forecasting, regular review of restocking of raw materials, encourage sale and usage of old stocks, just-in-time purchasing for low turnover goods etc.) taking into account price trends as well as the increased lead time amid COVID-19 restrictions.</p>