DiSa

READY FOR THE NEXT PHASE OF **GROWTH**

ANNUAL REPORT 2017

CONTENTS

1 CORPORATE STRUCTURE
2 CORPORATE PROFILE
5 LETTER TO SHAREHOLDERS
7 BOARD OF DIRECTORS
10 GROUP KEY EXECUTIVES
11 CORPORATE INFORMATION
12 BUSINESS REVIEW
13 OPERATING AND FINANCIAL REVIEW
15 CORPORATE GOVERNANCE REPORT
39 DIRECTORS' STATEMENT
45 INDEPENDENT AUDITORS' REPORT
54 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
56 STATEMENTS OF FINANCIAL POSITION
57 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
60 CONSOLIDATED STATEMENT OF CASH FLOWS
61 NOTES TO THE FINANCIAL STATEMENTS
134 STATISTICS OF SHAREHOLDINGS
136 NOTICE OF ANNUAL GENERAL MEETING
PROXY FORM

On the Cover: **READY FOR THE NEXT PHASE OF GROWTH**, the graphical depiction shows the Company's readiness in growing its regional and global presence.

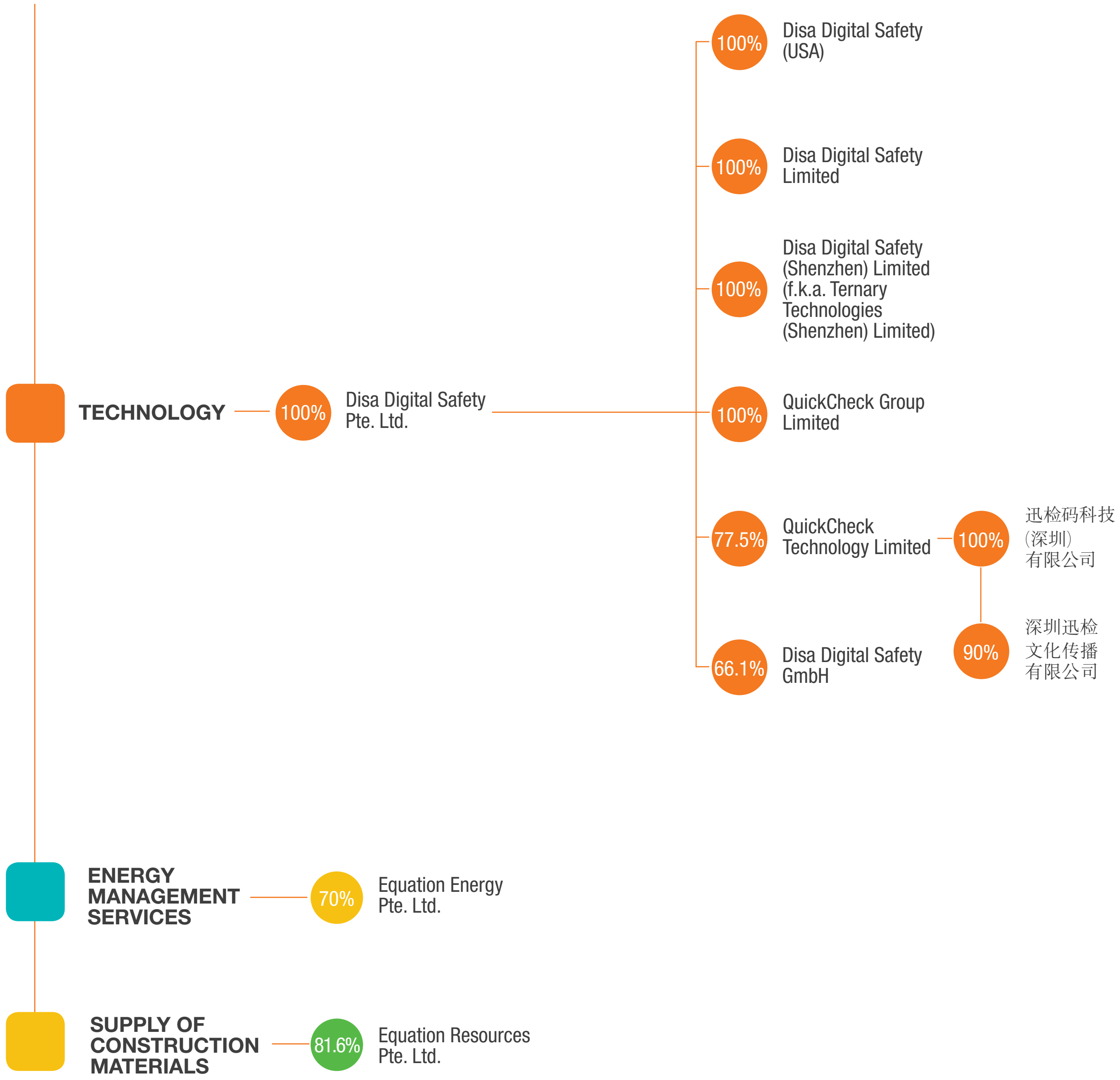
All figures in this annual report are in Singapore dollars unless otherwise indicated.

This annual report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Company's Sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinion made or reports contained in this annual report. The contact person for the Sponsor is Mr. Ong Hwee Li (Registered Professional, SAC Capital Private Limited), at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542, telephone +65 6532 3829.

CORPORATE STRUCTURE

AS AT 30 JUNE 2017



CORPORATE PROFILE

DISA LIMITED

DISA LIMITED ("DISA" or the "Group"), formerly known as Equation Summit Limited, is an investment holding company listed on the SGX Catalist since 1992.

The Group is focusing on high-value services with long term economic resilience through globalisation initiatives.

The primary businesses of the Group will be to strengthen the Group's reliability and sustainability by way of leveraging in-house eco system research and development capability to innovate new product development with cloud-based platforms and digitalisation of product and services.

Advancing towards disruptive technology will be actively pursued in all industry segments as the Group continues to evolve its competitive edge to thrive in the digital era.

Since 2006, the Group has actively reviewed its businesses to focus on high-value services with long term potential while divesting non-core segments to complement its growth. Today, through its subsidiaries, the Group operates in three core business segments, which includes Technology, Energy Management Services and the Supply of Construction Materials.

The Group has offices in Singapore, Germany, China and the United States.

TECHNOLOGY

Disa Digital Safety Pte. Ltd. ("DDSPL") is a wholly owned subsidiary of the Group that specialises in research and development of cutting-edge security ("DiSa Asset Protection") solution.

DiSa Asset Protection

DDSPL's digital asset-protection solution, known as Point-of-Sale Activation ("PoSA") Solution, is the world's first anti-theft protection technology that uses encrypted codes on consumer electronic products to safeguard retailers and manufacturers of the consumer electronic products against theft and return fraud. PoSA keeps consumer electronics products non-functional until the point of payment by the consumers at retail stores.

DDSPL's wholly-owned subsidiary, Disa Digital Safety (USA) has entered into an agreement with, Wal-Mart Stores, Inc. to begin implementation of PoSA technology in their stores in United States. PoSA allows retailers to provide open sale of products with a non-assisted self-checkout option for the customer. To-date, DDSPL has successfully implemented its PoSA technology in over 2,000 consumer electronics retail stores across the United States.

Disa Digital Safety (USA), was named first place winner for the 2017 (R)Tech Asset Protection: Innovation Award by the Retail Industry Leaders Association, United States for its Point-of-Sale Activation technology on 24 April, 2017. DDSPL has also won several awards for technology innovation including two recognitions of Achievement Awards for its innovative features at the 2009 Plus X Award Technology Conference in Cologne, Germany.

CORPORATE PROFILE

ENERGY MANAGEMENT SERVICES

Equation Energy Pte. Ltd. ("EEPL") provides sustainable energy management solutions to the building industry in Singapore and to the region.

EEPL's core services cover Energy Auditing and Management, Design and Consultancy, funded solutions in Energy Performance Contracting as well as distribution of niche energy-saving products and equipment to the building industry.

In Energy Auditing and Management, EEPL's team of appointed engineers utilises high accuracy instrumentation complying with both Building & Construction Authority ("BCA") and International Performance Measurement & Verification Protocol ("IPMVP") for measurement and data verification.

EEPL's Design and Consultancy services are in line with BCA's Green Mark for Building Scheme launched in 2005 to move Singapore's construction industry towards more environmentally sustainable buildings. It provides clients with comprehensive gap analysis, Green Mark assessment audits and energy consultancy for both new and existing developments.

A key contributor to the company's top line is in the area of performance contracting wherein the company will undertake to implement the plant and equipment retrofit as a funded design and build project and the actual savings realised is used to repay the project cost.

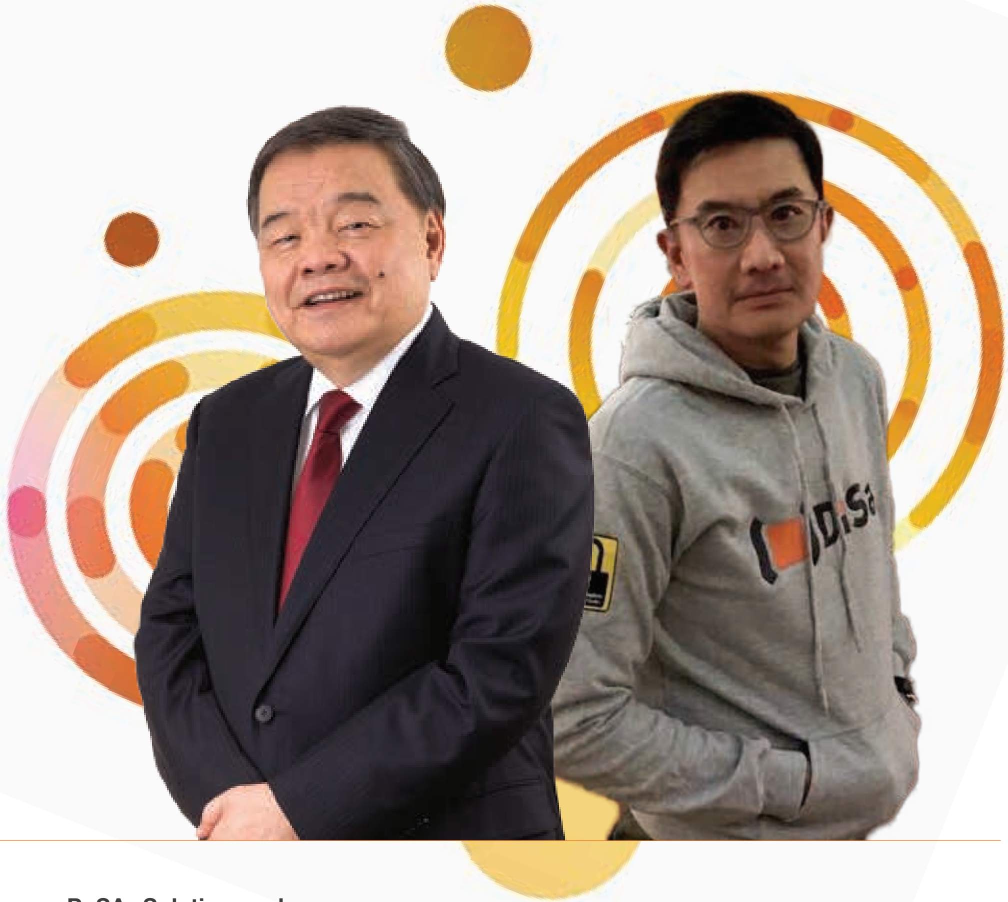
To date, EEPL has successfully completed a number of energy consultancies and implemented a number of energy performance contracts. Some of the completed and on-going projects include Bodynits at Changi, IMM Building at Jurong East, Tampines Mall, Rivervale Mall, the new MOM Building at Bendemeer, Golden Mile Tower, Bukit Timah Plaza, Wheelock Place and People's Park Complex.

CORPORATE PROFILE

SUPPLY OF CONSTRUCTION MATERIALS

Equation Resources Pte. Ltd. ("ERPL") is in the business of supplying and trading of construction materials including sand, granite and coal. The company paid for the 100% rights, interest in and ownership of granite to PT Kawasan Dinamika Harmonitama with more than 10 million metric tonnes reserve. The granites are to be shipped to Singapore for supply to major players in the construction industries. Even though the business has been discontinued during the financial year 2014, the segment will remain vigilant to other opportunities in the future.

LETTER TO SHAREHOLDERS



LEFT:
TOH HOCK GHIM
Chairman

RIGHT:
CHNG WENG WAH
Managing Director and
Chief Executive Officer

At no cost to retailers, our PoSA Solution reduces shrinkage and spending on asset security while improving staff productivity and product sales.

DEAR FELLOW SHAREHOLDERS,

On behalf of the Board of Directors of DISA Limited ("DISA" or the "Company", and together with its subsidiaries, the "Group"), we are pleased to present to you the annual report of the Group for the financial year ended 30 June 2017 ("FY2017").

FY2017 – A YEAR OF ACHIEVEMENTS

FY2017 was marked by political and economic uncertainties in the major economies. Global economic growth was modest in spite of the very friendly interest rate environment. Although the overall economy in Singapore remains healthy, competition and rising costs are challenges faced by many companies. At DISA, FY2017 was a year of achievements and we plan to continue the momentum to make an even better performance in the current financial year ending 30 June 2018 ("FY2018").

Our investments in the technology segment over the last five years have enabled us to achieve growth despite the challenges in the economy. In FY2017, we have largely focused on the implementation of our asset protection technology in the United States ("US") by conducting proof-of-concept trials with Wal-Mart Stores, Inc. ("Walmart"). This culminated in our Point of Sale Activation ("PoSA") Solution being adopted by Walmart and tablets was the first product category selected for the PoSA Solution in May 2017. The successful roll out and sale of PoSA-enabled tablets in Walmart stores with the world's first fully digital asset protection technology for consumer electronic products was soon followed by another major product category for Global Positioning System ("GPS") and navigation products.

In September 2017, PoSA-enabled top rated GPS and Navigation products were available in open sell format in the US. For the very first time, retail consumers have the ability to purchase premium GPS and navigation products, in addition to tablets, directly off store shelves and will not be hindered by glass

LETTER TO SHAREHOLDERS

cases that require retail assistance. For the respective retailers, product sales are projected to increase with open sell, along with a reduction in labour costs. Barring unforeseen circumstances, we expect more product categories to be protected by the PoSA Solution during the course of the current financial year.

While we were working with Walmart on the proof-of-concept in the second half of 2016, we were mindful of our financial commitments in the event of a roll out with Walmart and active engagements with the other major retailers in the US. To strengthen our financial resources, we undertook several share placements in the second half of 2016 and issued S$12.0 million of redeemable convertible bonds in February 2017. Together with the proceeds from the conversion of warrants which were issued in 2015 and expired in early August 2017, we are now in a comfortable financial position with about S$20.2 million in cash.

With a strong financial position, Disa Digital Safety (USA), a wholly-owned indirect subsidiary of the Company, has proceeded to fill key positions in Singapore, North Asia and the US from the second half of 2016. The headcount expansion is necessary to properly position the Group for scaling our operations in Asia and the US to support the rollout of the PoSA Solution with Walmart. We have recently added several managerial positions in our US team to strengthen our relationship with Walmart as well as to effectively engage other major US retailers on the full benefits of the PoSA Solution. Plans are underway to establish a marketing presence in Europe to engage major retailers there during the course of the current financial year.

During FY2017, we also evaluated the portfolio of businesses under the investment holding company. In order to focus the resources of management on the technology business segment, a decision was taken to consolidate the portfolio and exit businesses where we do not have a competitive advantage. We changed our name to DISA Limited in February this year to reflect this new focus. In June 2017, we sold our 60%-interests in the E-waste/Recycling business segment, as well as our joint venture in Citrine Solution Pte. Ltd. and Citrine System (S) Pte. Ltd., and the continuing review could result in further streamlining in FY2018.

PROSPECTS

Traditional retailers around the world are encountering challenges to their business model on several fronts. Their online competitors have achieved some measure of success in reducing revenue growth. Containing retailing costs remains a key factor to profit growth and clearly, retailers needed help with an effective strategy against shrinkage. According to the Global Retail Theft Barometer[1], retail shrinkage globally and in North America amounted to approximately US$123 billion and US$37 billion respectively in 2015. Our PoSA Solution is an effective technology and a major step forward in addressing shrinkage of electronic products. At no cost to the retailer, our PoSA Solution reduces shrinkage and spending on traditional asset security while improving staff productivity and product sales.

Our achievements in FY2017 thus far have laid a strong foundation for the Group to scale greater heights in FY2018. The Group's financial results for FY2017 have not reflected these achievements due to the initial nature of engagement with Walmart from the second half of FY2017 and the business restructuring. With a compelling technology and financial strength, the DiSa team is working to broaden our business relationship with Walmart as well as forge new partnerships with other major retailers in the US in FY2018.

A WORD OF THANKS

Our achievements in FY2017 have been made possible through cooperation and teamwork among our staff. We thank the management and staff of the Group across Asia and the US for their efforts in working together and encourage them to build on these achievements in FY2018. To our new colleagues in Asia and the US who have joined the Group during the calendar year, we bid you a very warm welcome. We would also like to record our appreciation to our fellow directors on the Board for their wise counsel. Last but not least, we thank all our customers, business associates and shareholders for their continuing support and encouragement.

HG Toh

TOH HOCK GHIM
Chairman

CHNG WENG WAH
Managing Director and
Chief Executive Officer

1 Available: The Global Retail Theft Barometer 2015

BOARD OF DIRECTORS

TOH HOCK GHIM

Chairman, Non-Executive and Independent Director
Chairman, Board of Directors
Chairman, Nominating Committee
Member, Audit and Risk Management Committee and Remuneration Committee
First appointed on 11 January 2008
Last re-elected on 28 October 2016

Mr. Toh joined the Ministry of Foreign Affairs in October 1966 and had served in Singapore's diplomatic posts in Malaysia, the Philippines, Thailand, Vietnam and the Hong Kong & Macau Special Administrative Regions ("SARs"). He was Ambassador to Vietnam from January 1994 to January 2002 and Consul-General to the Hong Kong and Macau SARs from February 2002 to December 2007. He was appointed as Senior Adviser to the Ministry of Foreign Affairs upon his retirement from the Foreign Service at the end of 2007 till 2014. Mr. Toh has a Bachelor of Arts (Political Science) degree from the University of Singapore. He also sits on the Board of three other listed companies, details of which are set out in the table on page 9 of this annual report.

CHNG WENG WAH

Managing Director and Chief Executive Officer, Non-Independent
First appointed on 3 February 2005
Last re-elected on 30 November 2015

Mr. Chng joined DISA Limited in February 2005 as the Group's Executive Director and Chief Executive Officer. He steers the Group towards its vision and strategic direction. Mr. Chng has a diverse background of versatile experience in various industries which cover the fields of product development, innovation; and marketing and sales. He received the Asia Europe Young Entrepreneurs Award at the Berlin Asia Europe Young Entrepreneurs Forum in 1999. Mr. Chng also sits on the Board of LifeBrandz Limited as its Non-Executive Director.

LAU KAY HENG

Non-Executive and Independent Director
Chairman, Audit and Risk Management Committee
Member, Remuneration Committee and Nominating Committee
First appointed on 1 September 2011
Last re-elected on 28 October 2016

Mr. Lau has over 20 years of corporate management and corporate advisory experience spanning the Asia Pacific region for various multinational and Singapore-listed companies in the medical, chemical, pharmaceutical, interior floor covering and environmental industries. Mr. Lau is currently the Managing Director of a boutique corporate advisory firm specializing in corporate advisory, private equity, merger & acquisition, IPO transactions in Singapore, China, Korea, Australia and other countries in the region. Mr. Lau is also the Chairman of iBosses Corporation Limited, a company listed on the Australian Securities Exchange Ltd ("ASX"). In addition, he is also an Independent Director of Premiere Eastern Energy Limited which is also listed on ASX. Mr. Lau was awarded the prestigious Public Service Commission Scholarship and graduated from the National University of Singapore with a Bachelor of Science degree.

BOARD OF DIRECTORS

KAN AH CHYE

Non-Executive and Independent Director
Chairman, Remuneration Committee
Member, Audit and Risk Management Committee and Nominating Committee
First appointed on 12 February 2012
Last re-elected on 28 October 2016

Mr. Kan was appointed as an Independent Non-Executive Director on 12 February 2012. He graduated from the University of Malaya in 1969 with an Honours Degree in Economics and Accounting. He retired as a banker in 2007 as the Head of Corporate Banking with an international bank in Singapore. He has over 25 years of experience in corporate and investment banking in Singapore. Prior to coming to Singapore, Mr. Kan had worked for 12 years in project financing and investment banking in the leading development finance institution in Kuala Lumpur, Malaysia. In addition to his experience in banking and finance, Mr. Kan has also worked in a senior management capacity in a leading property development company in Singapore.

LIM SOON HOCK

Non-Executive and Non-Independent Director
Member, Audit and Risk Management Committee, Nominating Committee and Remuneration Committee
First appointed on 11 May 2017

Mr. Lim has more than 30 years' of experience as a board member, CEO, technopreneur and private investor, across a variety of global industries, in a highly competitive environment.

He is currently the Founder and Managing Director of PLAN-B ICAG Pte Ltd, a boutique corporate advisory firm, which he set up after stepping down from Compaq Computer Asia Pacific, where he was the first Asian and Singaporean appointed to the position of Vice President and Managing Director of Compaq Computer Asia Pacific.

Post-Compaq, he has been involved in taking companies public, mergers and acquisitions, as well as consulting for several global MNCs and promising SMEs.

Mr. Lim continues to sit on the boards of several government agencies, private and community service organisations, as well as an Independent Director of China Fishery Group Limited, a public listed company on the SGX-ST. He received numerous awards in recognition of his work and public service. Mr. Lim holds a Bachelor of Engineering (Honours) from University of Singapore.

Mr. Lim is a Justice of the Peace and a Volunteer Mediator with our State Courts.

BOARD OF DIRECTORS

LOH EU TSE DEREK

Non-Executive and Independent Director
Member, Audit and Risk Management Committee, Nominating Committee and Remuneration Committee
First appointed on 11 May 2017

Mr. Loh is an Advocate and Solicitor of the Supreme Court of Singapore and practices law in Singapore as a Partner at TSMP Law Corporation. He graduated with honours from Cambridge University.

Mr. Loh is also an Independent Director of Vietnam Enterprise Investments Limited, Vibrant Group Ltd, Metech International Ltd and Adventus Holdings Ltd. He is a member of the Board of Governors of St Joseph's Institution (SJI) and St Joseph's Institution International (SJI International) in Singapore and also a trustee and a member of the Management Committee of the SJI Foundation.

TEO KHIAM CHONG

Executive Director
First appointed on 11 May 2017

Mr. Teo joined DISA Limited in May 2017 as an Executive Director. He is mainly in charge of the administration aspect of the Company. Mr. Teo has been with KCTeo Enterprise which provides consultancy services since 2000. He is a Director of Blow + Bar Pte Ltd and was a Director of Grange Properties Pte Ltd and Teras Fortress 2 Pte Ltd. Mr. Teo holds a Bachelor of Science in Business Administration from the New York University.

Mr. Teo, who is retiring as Director of the Company at the close of Annual General Meeting pursuant to Article 93 of the Company's Constitution, will not be seeking re-election at the Annual General Meeting.

Information on the Directors' chairmanships and directorships both present and those held over the preceding three years in other listed companies are summarised below:

Director	**Directorships/Chairmanships in other Listed Companies (present & held over preceding 3 years)**	
	Over preceding 3 years	**Present**
Toh Hock Ghim	As an Independent Director in – *LifeBrandz Ltd*	As an Independent Director in – *FDG Kinetic Limited (formerly known as CIAM Group Limited)* – *CEFC International Limited* – *AGV Group Limited*
Chng Weng Wah	As Non-Executive Director in – *AGV Group Limited*	As Non-Executive Director in – *LifeBrandz Ltd*
Lau Kay Heng	As an Independent Director in – *Cacola Furniture International Limited*	As an Independent Director in – *Premiere Eastern Energy Limited* As a Chairman in – *iBosses Corporation Limited*
Kan Ah Chye	None	As an Independent Director in – *Compact Metal Industries Ltd.*
Lim Soon Hock	As an Independent Director in – *Stratech Systems Limited*	As an Independent Director in – *China Fishery Group Limited*
Loh Eu Tse Derek	None	As an Independent Director in – *Vibrant Group Limited* – *Metech International Limited* – *Adventus Holdings Limited*
Teo Khiam Chong	None	None

GROUP KEY EXECUTIVES

LOW CHUAN JEE

Chief Financial Officer

Ms. Low is responsible for the finance, compliance and reporting functions of the Group. Her post-graduation experience in various capacities includes audit, financial accounting and she has worked in various public-listed companies. She holds a Bachelor of Accountancy from Nanyang Technological University, Singapore and is a Chartered Accountant ("CA Singapore") of the Institute of Singapore Chartered Accountants ("ISCA").

WONG AH KIOW

Financial Controller of Disa Digital Safety Pte. Ltd. ("DDSPL")

Ms. Wong was appointed in August 2010. She is a CA Singapore with ISCA. She is also a fellow member of Association of Chartered Certified Accountants and a member of Malaysian Institute of Accountants. She has many years of working experience in the manufacturing industry, both local companies listed in Malaysia and multinational company listed in Singapore. Prior to this, she was an external auditor. Her main responsibilities include overseeing the entire DDSPL group finance team, management reporting function as well as strategic financial planning and compliance related matters.

Chief Executive of Disa Digital Safety (Shenzhen) Limited

NG KAY CHOONG

Senior Vice President of Global Solution of DDSPL

Mr. Ng joined DDSPL in March 2017. He is responsible for the integration of the DiSa solution into retail products. He has over 20 years of factory experience with different major production organizations. He holds a Bachelor of Engineering from Nanyang Technological University, Singapore.

PHAM HOANG BAO

Head of Global Information Technology of DDSPL

Mr. Pham joined DDSPL in December 2016. He is responsible for the planning, implementation and operation of information technology. He was the Lead Solution Architect in CIMB Securities from 2011 to 2016. He holds a Master in Communication Software and Network and a Bachelor of Computer Engineering from Nanyang Technological University, Singapore.

ADAM HARTWAY

Chief Executive Officer of Disa Digital Safety (USA) ("DiSa USA")

Mr. Hartway joined the Group in July, 2009 and is currently the Chief Executive Officer of DiSa USA. He has been engaged in the retail industry for more than 30 years. He held positions in retail sales, store management, purchasing, vendor engagement, channel sales, director of sales and channel solution-based implementation of new technology & process. Mr. Hartway was awarded the 2013 Loss Prevention Research Council Award for individual leadership and technology implementation.

CHRISTOPHER ROBERTS

Specialist in PoSA Engagement of DiSa USA

With direct hands on experience implementing the PoSA solution at a major United States ("US") retailer, Mr. Roberts will work closely with other US retailers to successfully guide them on their PoSA implementation.

HAN YANG KWANG

Chief Executive of Disa Digital Safety (Shenzhen) Limited

Mr. Han has been engaged in the manufacturing industry for more than 15 years. He started his career with Hewlett Packard and Texas Instruments. Mr. Han holds a Bachelor of Electrical and Electronics Engineering from National University of Singapore.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Independent Non-Executive Director
Toh Hock Ghim

Independent Non-Executive Directors
Lau Kay Heng
Kan Ah Chye
Loh Eu Tse Derek

Non-Independent and Non-Executive Director
Lim Soon Hock

Executive Directors
Chng Weng Wah (Managing Director and Chief Executive Officer)
Teo Khiam Chong

AUDIT AND RISK MANAGEMENT COMMITTEE

Lau Kay Heng (Committee Chairman)
Toh Hock Ghim
Kan Ah Chye
Lim Soon Hock
Loh Eu Tse Derek

NOMINATING COMMITTEE

Toh Hock Ghim (Committee Chairman)
Lau Kay Heng
Kan Ah Chye
Lim Soon Hock
Loh Eu Tse Derek

REMUNERATION COMMITTEE

Kan Ah Chye (Committee Chairman)
Lau Kay Heng
Toh Hock Ghim
Lim Soon Hock
Loh Eu Tse Derek

DATE OF INCORPORATION

26 June 1975

LISTING

Listed on 24 March 1992 on SGX Catalist

REGISTERED OFFICE

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: +65 6270 7080
Fax: +65 6270 7106

COMPANY SECRETARY

Leong Chee Meng, Kenneth

AUDITORS

Mazars LLP
Chartered Accountants of Singapore
135 Cecil Street
#10-01 MYP Plaza
Singapore 069536
Tel: +65 6224 4022
Fax: +65 6225 3974
Partner-In-Charge: Chan Hock Leong
(a member of the Institute of Singapore Chartered Accountants)
(Appointed with effect from financial year ended 30 June 2016)

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: +65 6536 5355
Fax: +65 6438 8710

PRINCIPAL LEGAL ADVISER

Bih Li & Lee, Singapore

PRINCIPAL BANKERS

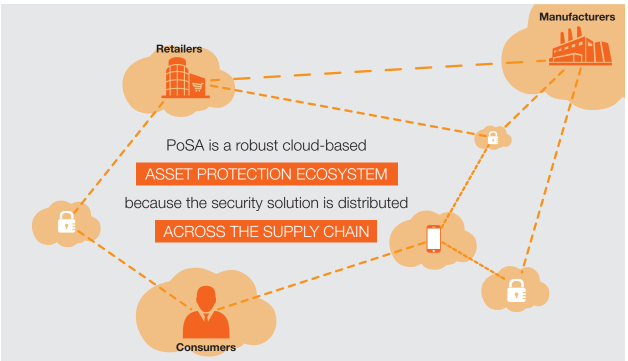
The Development Bank of Singapore
United Overseas Bank Limited, Singapore
China Merchants Bank (Shenzhen), People's Republic of China
The Hongkong and Shanghai Banking Corporation Limited, Hong Kong

BUSINESS REVIEW

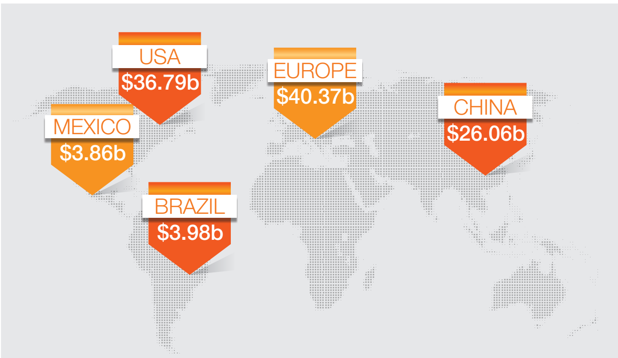
GLOBAL RETAIL SHRINKAGE & THE PoSA SOLUTION

THE PoSA SOLUTION

The PoSA Solution is the world's first fully digital asset protection technology for consumer electronic products allowing for open sell retail environments. Each electronic device is assigned a unique activation code and is digitally locked preventing theft by rendering the devices inoperable from the point-of-production to the point-of-sale at retail stores. The device remains locked until the buyer activates the device using a one-time activation code that is printed on the retail sales receipt. Once activated, the device remains permanently unlocked and fully functional.



GLOBAL RETAIL SHRINKAGE IN 2015 – BY REGION

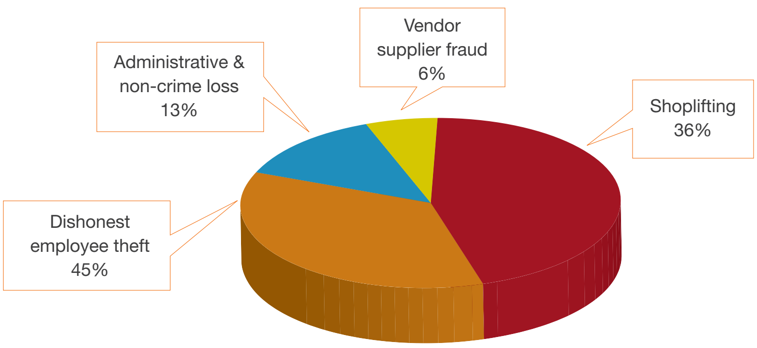


Source: The Global Retail Theft Barometer 2015

SHRINKAGE PROBLEM IN THE US

Sources Of Shrink in the US, 2014-2015

Shoplifting and dishonest employee theft were the greatest sources of inventory shrinkage



Source: The Global Retail Theft Barometer 2015

OPERATING AND FINANCIAL REVIEW

CONTINUING OPERATIONS
REVENUE

The Group's revenue decreased by $125,000 (27.8%) from $450,000 for the financial year ended 30 June 2016 ("**FY2016**") to $325,000 for the financial year ended 30 June 2017 ("**FY2017**"). The decrease was mainly attributable to the decrease in sales in Energy Management Services segment of $215,000; partially mitigated by the increase in sales in Technology segment of $90,000. The decrease in sales in Energy Management Services segment was mainly due to lower revenue generated from consultancy services while the increase in sales in Technology segment was due to revenue generated from sales of asset protection system.

OTHER INCOME

Other income decreased by $1,037,000 (65.9%) from $1,573,000 for FY2016 to $536,000 for FY2017. The lower other income was mainly due to lower rental income, lower reversal of long outstanding payables and overstated accruals, one-off cash received from liquidation of subsidiary in FY2016 and lower government grants and rebates; partially offset by gain on disposal of property, plant and equipment, gain on disposal of joint ventures, reconciliation of yearly interest from one of the Company's subsidiary's project and higher interest income.

EXPENSES

Total cost and expenses increased by $4,685,000 (35.0%) to $18,083,000 for FY2017 as compared to $13,400,000 for FY2016. The higher cost and expenses were mainly due to higher depreciation expense, higher employee benefits expenses, higher legal and professional fee, impairment loss on other current assets, higher impairment loss on prepayment for rights, interest in and ownership of granite, higher impairment loss on trade and other receivables, loss on disposal of a subsidiary, loss on liquidation of an associate, higher loss on waiver of debts, reversal of fair value gain provided in previous years, higher interest expense and higher other expenses; partially offset by lower cost of services, lower provision for legal liabilities and lower operating lease expense. The increase in other expenses was mainly attributable to higher advertisement expense, higher dues and subscriptions membership, higher directors' fee due to 3 newly appointed directors during FY2017, higher entertainment expense, higher fixed assets expensed off, higher printing and stationary costs, higher transportation and travelling expenses for business purposes, higher research and development expenses, higher marketing and business development expenses, higher telephone, internet and fax expenses, higher fee paid in relation to the upkeep of computer and premises expenses and foreign currency movement of net loss; partially offset by lower audit fee.

LOSS AFTER TAX

The Group recorded net loss after tax from continuing operations of $17,721,000 in FY2017 as compared to the net loss of $12,057,000 in FY2016.

FINANCIAL POSITION

Total assets of the Group increased by $3,387,000 from $33,369,000 as at 30 June 2016 to $36,756,000 as at 30 June 2017 mainly due to the following:

(i) Property, plant and equipment increased by $292,000, and was mainly due to the addition of fixed assets of $474,000; partially offset against the disposal of property, plant and equipment and depreciation charge for the financial year.

(ii) Intangible assets represent core technology of the Disa Asset Protection system. Intangible asset decreased by $1,404,000 from $13,343,000 as at 30 June 2016 to $11,939,000 as at 30 June 2017. This was mainly due to an amortisation charge for the financial year.

(iii) Other non-current assets mainly consist of prepayment for the rights, interest in and ownership of granite in Indonesia paid to PT Kawasan Dinamika Harmonitama ("**KDH**") and club membership. Other non-current assets decreased by $5,939,000 from $6,059,000 as at 30 June 2016 to $120,000 as at 30 June 2017. This was mainly due to full impairment loss on prepayment for rights, interest in and ownership of granite in Indonesia during the financial year.

(iv) Inventories decreased by $71,000 from $71,000 as at 30 June 2016 to Nil as at 30 June 2017, mainly due to stock clearance during the financial year.

(v) Total trade and other receivables decreased by $3,649,000 from $4,554,000 as at 30 June 2016 to $905,000 as at 30 June 2017. This was mainly due to impairment loss on trade and other receivables of $2,434,000 from KDH and waiver of debts due from a joint venture of $862,000 during the financial year.

(vi) Increase in cash and cash equivalents of $14,822,000, which will be explained under "Cash Flows" section.

OPERATING AND **FINANCIAL REVIEW**

Total liabilities of the Group increased by $2,119,000 from $16,043,000 as at 30 June 2016 to $18,162,000 as at 30 June 2017, and were mainly due to the following:

(i) Trade and other payables decreased by $865,000 from $3,039,000 as at 30 June 2016 to $2,174,000 as at 30 June 2017. This was mainly due to derecognisation of trade and other payables of Equation Recycling Pte. Ltd. of $633,000 upon its disposal.

(ii) Total accruals decreased by $1,539,000 from $2,761,000 as at 30 June 2016 to $1,222,000 as at 30 June 2017. This was mainly due to (i) decrease in accrued interest of $1,080,000 mainly resulting from full repayment of accrued interest on convertible loan; and (ii) decrease in accrued staff costs of $504,000; partially offset by increase in accrued operating costs of $45,000 during the financial year.

(iii) Total financial liabilities increased by $4,600,000 from $7,433,000 as at 30 June 2016 to $12,033,000 as at 30 June 2017. This was mainly due to new Redeemable Convertible Bonds ("**RCB**") of $12,000,000 and new motor vehicle under finance lease of $120,000. On 27 December 2016, the Company entered into RCB agreement with Wang Yu Huei, Tang Wee Loke, Lee Teong Sang and Tsai Yi-Chen, (the "**Investors**"), pursuant to which, the Investors agreed to subscribe for an aggregate subscription amount of $12,000,000 pursuant to the terms of the RCB agreement. The increase in financial liabilities was partially offset by (i) repayment of borrowings (including loan to a third party and bank borrowings) of $500,000; (ii) repayment of finance lease of $122,000; and (iii) full repayment on convertible loan of $7,000,000 to three other investors namely Sculptor Finance (KD) Ireland Limited, Sculptor Finance (AS) Ireland Limited and Sculptor Finance (SI) Ireland Limited ("**Sculptor Investors**") during the financial year.

(iv) Total provision and other liabilities increased by $182,000 from $522,000 as at 30 June 2016 to $704,000 as at 30 June 2017 and this was mainly due to provision for litigation claims of $182,000 for the financial year.

(v) Deferred tax liabilities decreased by $238,000 from $2,267,000 as at 30 June 2016 to $2,029,000 as at 30 June 2017 and this was mainly due to reversal of amortisation charge during the financial year.

The Group recorded a net asset position of $18,594,000 as at 30 June 2017 as compared to a net asset position of $17,326,000 as at 30 June 2016.

CASH FLOWS

Cash and cash equivalents (net of overdraft and deposits placed with a bank as security) increased by $14,822,000 from $5,343,000 as at 30 June 2016 to $20,165,000 as at 30 June 2017.

Net cash used in operating activities was $5,072,000 in FY2017, compared to $3,128,000 for FY2016.

Net cash used in investing activities was $121,000 for FY2017. This was mainly due to purchase of property, plant and equipment of $354,000, and net cash outflow from disposal of a subsidiary of $114,000; partially offset by interest received of $147,000, proceeds from disposal of joint ventures of $39,000 and proceed from disposal of property, plant and equipment of $161,000.

Net cash generated from financing activities was $20,020,000 for FY2017. This was mainly due to net proceeds from issuance of ordinary shares of $10,783,000, proceeds from the RCB of $12,000,000, proceeds from exercise of share option of $15,000 and proceeds from exercise of warrants of $6,509,000. This was offset by interest paid of $1,665,000, repayment of finance lease of $122,000, repayment of loan to a third party of $385,000, repayment of borrowings of $115,000 and repayment of convertible loan to the Sculptor Investors of $7,000,000.

CORPORATE GOVERNANCE REPORT

DISA Limited ("DISA" or the "Company") is fully committed to maintaining high standards of corporate governance within the Company and its subsidiaries (collectively, the "Group"). The Board recognises the importance of good corporate governance and the offering of high standards of accountability to the shareholders.

This annual report describes the Company's corporate governance processes and activities for the financial year ended 30 June 2017 ("FY2017"), with specific references made to the principles and guidelines of the Code of Corporate Governance 2012 ("Code"). The Board confirms that for FY2017, the Company has adhered to the principles and guidelines as set out in the Code, where applicable, and has specified and explained deviations from the Code, if any, in this annual report.

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the Company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

Guidelines of the Code	DISA's Corporate Governance practices
1.1 The Board's role	The Board is accountable to the shareholders and oversees the overall management of the business and affairs of the Group, including providing leadership and supervision to the management of the Group so as to protect and enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board's principal responsibilities include: (1) guide the formulation of strategic directions, financial plans and major corporate policies; (2) monitor and review the Group's financial and operating performance; (3) review management performance; (4) oversee the adequacy and integrity of the Group's internal controls, risk management, financial reporting and compliance; (5) approve major investment and divestment proposals, material acquisitions and disposals of assets; (6) assume responsibilities for good corporate governance practices; (7) approve the release of the financial results and annual report of the Group to shareholders; and (8) consider sustainability issues such as environmental and social factors.
1.2 Board to objectively take decisions in the interests of the company	The Board exercises due diligence and independent judgement, and are obliged to act in good faith and objectively take decisions in the interest of the Company.
1.3 Delegation of authority, by the Board to any Board Committee, to make decisions on certain Board matters	To facilitate effective management, certain functions have been delegated to various board committees, namely the Nominating Committee ("NC"), Remuneration Committee ("RC") and Audit and Risk Management Committee ("ARMC") (collectively the "Board Committees"), each of which has its own defined scope of duties and written terms of reference setting out the manner in which it is to operate and the functions for achieving its stated objectives. The Chairman of the respective Board Committees will report to the Board the outcome of the respective Board Committees' meetings. Minutes of the Board Committee meetings are made available to all Board members. The key terms of reference and composition of each Board Committee can be found in this annual report. The Company's Audit Committee was re-designated as ARMC subsequent to FY2017.

CORPORATE GOVERNANCE REPORT

Guidelines of the Code	DISA's Corporate Governance practices
1.4 The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings	The Board conducts regularly scheduled meetings. Additional or ad-hoc meetings are convened when circumstances require. Board papers incorporating sufficient information from Management are forwarded to the Board Members in advance of each Board Meeting to enable each Board Member sufficient time to prepare for the meetings. The Company's Constitution allows for a board meeting to be conducted by way of tele-conference, video-conference or other electronic communication facilities through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously. At the Board meeting, the Directors are free to discuss and openly challenge the views presented by Management and the other Directors. In lieu of physical meetings, written resolutions are also circularised for approval by members of the Board. The frequency of meetings and attendance of each director at every Board and Board Committee meeting, are disclosed below:

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

	Board		Audit and Risk Management		Nominating		Remuneration	
Directors	No. of Meetings Held	Attendance	No. of Meetings Held	Attendance	No. of Meetings Held	Attendance	No. of Meetings Held	Attendance
Toh Hock Ghim (Chairman)	4	2	4	2	1	1	1	1
Chng Weng Wah (CEO)	4	4	NA	NA	NA	NA	NA	NA
Lau Kay Heng	4	4	4	4	1	1	1	1
Kan Ah Chye	4	4	4	4	1	1	1	1
Teo Khiam Chong*	4	1	NA	NA	NA	NA	NA	NA
Lim Soon Hock*	4	1	4	1	1	–	1	–
Loh Eu Tse Derek*	4	1	4	1	1	–	1	–

NA – Not Applicable

** Appointed to the Board on 11 May 2017*

Guidelines of the Code	DISA's Corporate Governance practices
1.5 The type of material transactions that require Board approval under internal guidelines	Matters which are specifically reserved for decision by the Board include, amongst others, those involving material acquisitions and disposals of assets, corporate or financial restructuring and share issuance, dividends and other returns to shareholders. The Board also meets physically or by way of tele-conference, video-conferencing or other electronic communication facilities to review and consider, amongst others, the following corporate matters: • approval of quarterly and year-end results announcements; • approval of the annual report and financial statements; • convening of shareholders' meetings; • material acquisition and disposal of assets; • major corporate actions; • major investments and funding decisions; • financial performance and key operational initiative; • interested person transactions; and • overseeing the implementation of appropriate systems to manage the Group's business risk.

Guidelines of the Code	DISA’s Corporate Governance practices
1.6 and 1.7 Directors to receive appropriate training. The Board should also disclose in the company’s annual report, the induction, orientation and training provided to new and existing directors; Formal letter to be provided to directors, setting out duties and obligations upon appointment	New Directors, upon appointment, are briefed on the Group’s structure, businesses, governance policies and regulatory issues. The Chief Executive Officer ensures that Board Members are provided with complete, adequate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group. First-time Directors with no prior experience as a Director of a public listed company in Singapore will also attend training courses organised by the Singapore Institute of Directors or other training institutions in areas such as accounting, legal and industry specific knowledge, where appropriate, in connection with their duties, as well as undergo training on the roles and responsibilities as directors of a listed company. There were three (3) newly appointed Directors to the Board in FY2017, namely Mr. Teo Khiam Chong, Mr. Lim Soon Hock and Mr. Loh Eu Tse Derek. The Company will arrange for the new Directors to attend the training in relation to the roles and responsibilities of a Director of a listed company in Singapore. From time to time, the Company Secretary and the Company’s auditors will advise the existing Directors or if necessary, conduct briefings to the Directors on the new accounting standards and corporate governance practices as well as updates them on any changes in the Companies Act and Listing Manual Section B: Rules of Catalist of the SGX-ST (“Rules of Catalist”). Directors may also request to visit the Group’s operation facilities and meet with the Management in order to have a better understanding of the Group’s business operations. The Directors are fully aware of the requirements in respect of their duties and obligations as a Director and how to discharge those duties and obligations. The Company has available budget for Directors to receive further relevant training in connection with their duties. Relevant courses include programmes conducted by the Singapore Institute of Directors or other training institutions. During FY2017, the ARMC members attended the training on developments in accounting and governance standards. The Executive Directors also updates the Board at each Board meeting on business and strategic developments relating to the industry that the Group operates in.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board’s decision making.

Guidelines of the Code	DISA’s Corporate Governance practices
2.1 and 2.2 There should be a strong and independent element on the Board. Independent Directors to make up at least half of the Board, where the Chairman of the Board and the Chief Executive Officer are the same person.	As at the date of this annual report, the Board has seven (7) directors (each a “Director” and collectively the “Directors”), which comprises two (2) Executive Directors, four (4) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. As a cornerstone to achieving high standards of corporate governance, there is a strong and independent element on the Board, with independent Directors making up four (4) out of seven (7) members of the Board, including the Chairman of the Board. This enables the Board to exercise independent judgement on corporate affairs and provide Management with a diverse and objective perspective on issues. The composition of the Company’s Board and Board Committees is set out below:

CORPORATE GOVERNANCE REPORT

Directors	Date Appointed	Board Appointments • Executive or Non-Executive Director • Independent or Non-Independent Director	Board Committees As Chairman or Member ARMC	NC	RC
Toh Hock Ghim (Chairman)	11 January 2008	Non-Executive/Independent	Member	Chairman	Member
Chng Weng Wah (CEO)	3 February 2005	Executive/Non-Independent	–	–	–
Lau Kay Heng	1 September 2011	Non-Executive/Independent	Chairman	Member	Member
Kan Ah Chye	12 February 2012	Non-Executive/Independent	Member	Member	Chairman
Teo Khiam Chong	11 May 2017	Executive/Non-Independent	–	–	–
Lim Soon Hock	11 May 2017	Non-Executive/Non-Independent	Member	Member	Member
Loh Eu Tse Derek	11 May 2017	Non-Executive/Independent	Member	Member	Member

Guidelines of the Code	DISA's Corporate Governance practices
2.3 and 2.4 The Board should identify in the company's annual report, each director it considers to be independent. Board to explain when it deems a non-independent director as independent and when it considers an independent director who has served on the Board for more than nine years from the date of his first appointment, to be independent.	The independence of each Director is reviewed annually by the NC. Each Independent Director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code. The independence of any Director who has served on the Board beyond nine years from the date of his first appointment will be subject to more rigorous review, taking into account the need for progressive refreshing of the Board. The NC adopts the Code's definition of what constitutes an independent director in its review and is of the view that the Independent Directors are independent of the Company, its related corporation, its 10% shareholders and its executive officers and no individual or small group of individuals dominate the Board's decision-making process. Currently, the Chairman of the Board, Mr. Toh Hock Ghim ("Mr. Toh"), has served on the Board for more than nine (9) years from the date of his first appointment (11 January 2008). In accordance with Guideline 2.4 of the Code, Mr. Toh has been subjected to a rigorous review of his independence. Accordingly, the NC, in consultation with the Board, had reviewed rigorously and considered the independence of Mr. Toh and is of the view that Mr. Toh remains independent in character and judgement. In arriving at its conclusion, the NC and the Board took into consideration his participation in and recommendations to the Board and its Committees during meetings and discussion, the Board noted that Mr. Toh had provided impartial advice and insights, and exercised independence and objectivity at all times. The Board is also of the opinion that Mr. Toh continues to exercise independence and is effective in his oversight role as a check and balance on the acts of the Executive Directors and Management of the Company. Mr. Toh had abstained from the Board's and NC's review on this matter.
2.5 Appropriate size of Board	The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive to effective discussion and decision-making and that the Board has an appropriate balance of independent directors. The Board is of the view that the current Board size and composition is appropriate, taking into account the scope and nature of the Group's operations.

Guidelines of the Code	DISA's Corporate Governance practices
2.6 Board to comprise Directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Company; and with core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer based experience or knowledge.	The Board comprises respected individuals from different backgrounds and who as a group provides core competencies, such as business management experience, industry knowledge, financial and strategic planning experience and customer-based knowledge that are extensive and critical to meet the Group's objectives. Together, the Directors bring a wide and diverse range of business, finance and management experience that will provide effective governance and stewardship for the Group. Please refer to the "Board of Directors" section of the annual report for the Directors' profile.
2.7 Role of non-executive directors	The Board comprises four (4) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director who constructively challenge and help develop proposals on strategy; and review Management's performance and monitor the reporting of performance.
2.8 Meetings of non-executive directors without the presence of Management	Where warranted, the Non-Executive Directors meet without the presence of Management or Executive Director(s) to review any matter that may be raised privately.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

There should be a clear division of responsibilities between the leadership of the Board and the Executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Guidelines of the Code	DISA's Corporate Governance practices
3.1 Chairman and CEO should be separate persons; division of responsibilities should be clearly established	The roles of the Chairman and CEO are separate and their responsibilities are clearly defined to ensure a balance of power and authority within the Company. The Chairman of the Board is Independent Non-Executive Director, Mr. Toh Hock Ghim. As Chairman of the Board, Mr. Toh is responsible for leading the Board and facilitating its effectiveness and his duties include promoting high standards of corporate governance. The CEO, Mr. Chng Weng Wah, has full executive responsibilities of the overall business and operational decisions of the Company.
3.2 Chairman's role	As part of his duties, the Chairman also ensures that Board meetings are held when necessary and sets the Board meeting agenda in consultation with the CEO, acting as facilitator at Board meetings and maintaining regular dialogue with the Management on all operational matters. In addition, the Chairman ensures that Board Members are provided with complete, adequate and timely information, facilitates the effective contribution of the Non-Executive Directors, ensures there is effective communication with shareholders and promotes high standards of corporate governance.
3.3 and 3.4 Appointment of lead independent director	There is no lead independent director appointed as the Chairman and CEO do not fall under any of the categories as defined in Guideline 2.2 of the Code.

PRINCIPLE 4: BOARD MEMBERSHIP

There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

Guidelines of the Code	DISA's Corporate Governance practices
4.1 NC to comprise at least three directors, majority of whom, including the NC Chairman should be independent. The Board should disclose in the company's annual report the names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board.	The NC comprises one (1) Non-Independent Non-Executive Director and four (4) Independent Non-Executive Directors. Accordingly, majority of the NC, including the Chairman of the NC, is independent. The composition of the NC is set out on page 18 of this annual report. The Chairman of the NC is not associated with the Company, its related corporation, its 10% shareholders and its officers. The responsibilities of the NC are described in its written terms of reference. The NC's principal responsibilities include the following: (1) make recommendations to the Board on all Board appointments; (2) propose to re-nominate existing Directors, having regard to the Directors' contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director; (3) assess annually whether or not a Director is independent; (4) assess whether or not a Director is able to and has been adequately carrying out his duties as a Director; (5) propose an objective performance criteria to evaluate the Board's performance, subject to the approval of the Board; (6) review training and professional development programs for the Board; and (7) assess the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board, and to decide how the Board may be evaluated.
4.2 NC responsible for re-nomination of directors; all directors should be required to submit themselves for re-nomination and re-election at regular intervals and at least every three years	The NC recommends re-appointments of Directors to the Board. In accordance with Articles 92 and 93 of the Company's Constitution, all Directors (except a Managing Director) shall retire from office once at least in each three years by rotation and all newly appointed Directors will have to retire at the next Annual General Meeting ("AGM") following their appointments. The retiring Directors are eligible to offer themselves for re-election. Pursuant to Article 93 of the Company's Constitution, The NC has nominated the following directors, who were appointed by the Board during FY2017, for re-election at the forthcoming AGM (collectively the "Nominations"). • Mr. Loh Eu Tse Derek • Mr. Lim Soon Hock Mr. Teo Khiam Chong will not be seeking re-election and will retire as Director of the Company on 27 October 2017 at the close of the AGM. In considering the Nominations, the NC took into account the contribution of the Directors with reference to their attendance and participation at Board and other Board Committee meetings as well as the proficiency with which they have discharged their responsibilities.
4.3 NC to determine directors' independence annually	The NC has reviewed the independence of each Director for FY2017 in accordance with the Code's definition of independence and is satisfied that more than half of the Board comprised Independent Directors. The NC carries out the review of independence of each Director on an annual basis.

Guidelines of the Code	DISA's Corporate Governance practices
4.4 NC to decide if a director who has multiple board representations is able to and has been adequately carrying out his/her duties as a director of the company. Internal guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards. The Board should determine the maximum number of listed company board representations which any director may hold, and disclose this in the company's annual report	Notwithstanding that some of the Directors have multiple board representations, the NC is satisfied that each Director is able to and has been adequately carrying out his duties as director of the Company. Taking into consideration that the current number of other listed company board representations of the Directors are not extensive, the Board is of the view that it may not be necessary at this juncture to set a maximum number of listed company board representations which any Director may hold.
4.5 and 4.6 Avoid approving the appointment of alternate directors; Description of process for selection and appointment of new directors, including the search and nomination process, should be disclosed	Currently, there is no alternate Director on the Board. The search and nomination process for new directors, if any, will be through search companies, contacts and recommendations to cast its net as wide as possible for the right candidate. In identifying and evaluating nominees for appointment as directors, the NC assesses the candidates based on their background, qualification, work experience and integrity. In the case of candidates for independent directors, the NC will also consider the independence of such candidates. The NC reports the results of such assessments and makes recommendations to the Board for the Board to decide on the appointment.
4.7 Key information regarding directors should be disclosed in the annual report; names of directors submitted for election or re-election should also be accompanied by details and information to enable shareholders to make informed decisions	The key information in respect of the Directors' academic and professional qualifications, date of first appointment as a Director, date of last re-appointment as a Director, present directorships or chairmanship and those held over the preceding three years in other listed companies and other principal commitments are set out in the "Board of Directors" section of the annual report. In addition, information on shareholdings in the Company held by each Director is set out in the Directors' Statement in "Financial Statements" section of the annual report.

PRINCIPLE 5: BOARD PERFORMANCE

There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board.

Guidelines of the Code	DISA's Corporate Governance practices
5.1 Board to implement process to assess the Board performance as a whole and for assessing the contribution by each individual director to the effectiveness of the Board. Assessment process should be disclosed in the annual report	Taking into consideration the current size of the Board and that four (4) out of the five (5) Non-Executive Directors are independent and each of all the three Board Committees comprises majority independent directors, the NC has established review processes to assess the performance and effectiveness of the Board as a whole and its Board Committees and the assessment of the contribution by the Chairman and each individual Director to the effectiveness of the Board. The NC will critically evaluate the Board's performance on a collective basis by means of a questionnaire that deals with matters on board composition, information to the board, board procedures, board accountability, chief executive officer/top management and the standards of conduct. The objective of the performance evaluation exercise is to uncover strengths and challenges so that the Board is in a better position to provide the required expertise and oversight. There is no external facilitator engaged for the Board's assessment process for FY2017.

Guidelines of the Code	DISA's Corporate Governance practices
5.2 NC should decide how the Board's performance may be evaluated and propose objective performance criteria; Performance criteria should address how the Board has enhanced long-term shareholders' value	The NC has conducted a formal assessment of the effectiveness of the Board on a collective basis for FY2017 by means of a questionnaire. The NC is satisfied with the effectiveness of the Board as a whole and also the contribution by each Director to the effectiveness of the Board. The NC is of the view that the Board, as a group, also possesses the necessary core competencies to direct the Company and Management to perform efficiently and effectively.
5.3 Individual evaluation to assess directors' effectiveness in contributions and commitment to the role; Chairman should act on the results of the performance evaluation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of directors, in consultation with the NC	The NC, on an annual basis and in considering the reappointment of any Director, will evaluate the performance of the Director. The assessment of each Director's performance is undertaken by the Chairman of the NC. The criteria for assessment include but not limited to attendance record at meetings of the Board and Board Committees, intensity of participation at meetings and the quality of contributions. The NC, in concurrence with the Chairman of the NC, is satisfied that each Director is contributing to overall effectiveness of the Board.

PRINCIPLE 6: ACCESS TO INFORMATION

In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Guidelines of the Code	DISA's Corporate Governance practices
6.1 Board members to be provided with complete and adequate information in timely manner; Board to have separate and independent access to the senior management	Board Members are provided with adequate and timely information prior to Board meetings, and on an on-going basis. Requests for information from the Board are dealt with promptly by Management as needed for the Directors to make informed decisions. Board interaction with, and independent access to, the Management is encouraged. The Board is informed of all material events and transactions as and when they occur.
6.2 To include background and explanatory information, copies of budgets and forecast with explanations for any variances	The Board is provided with management reports, and papers containing relevant background or explanatory information required to support the decision-making process on an on-going basis. Proposals to the Board for decision or mandate sought by Management are in the form of memo or board papers that give the facts, analysis, resources needed, expected outcome, conclusions and recommendations. However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed.
6.3 Directors to have access to Company Secretary; Role of Company Secretary	The Directors have separate and independent access to Management and the Company Secretary. The Company Secretary administers and prepares minutes of Board Committees' meetings and Board meetings attended. Such minutes of meetings are circulated. The Company Secretary also assists the Board to ensure that Board procedures are followed and that applicable rules and regulations (in particular the Companies Act, (Chapter 50) of Singapore and Rules of Catalist) are complied with. The agenda for Board and Board Committee meetings are prepared in consultation with the Chairman, the chairpersons of the respective committees, and the CEO to ensure good information flow within the Board and Board Committees, as well as between Management and the Non-Executive Directors.

Guidelines of the Code	DISA's Corporate Governance practices
6.4 Appointment and removal of the Company Secretary should be a matter for the Board as a whole	The Board, as a whole, is involved in the appointment and removal of the Company Secretary.
6.5 Procedure for Board, in the furtherance of their duties, to take independent professional advice, if necessary, at the company's expense	The Directors, whether as a group or individually, may seek or obtain legal and other independent professional advice, concerning any aspect of the Group's operations or undertakings in order to fulfil their roles and responsibilities as Directors. Any cost of obtaining such professional advice will be borne by the Company.

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

Guidelines of the Code	DISA's Corporate Governance practices
7.1 RC to consist entirely of Non-Executive Directors; majority including RC Chairman, must be independent. The Board should disclose in the company's annual report the names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	The RC comprises five (5) members, all of whom are Non-Executive Directors, and majority of whom, including the Chairman of the RC, are Independent Directors. The composition of the RC is set out on page 18 of this annual report. The RC is regulated by its terms of reference. The duties of the RC include the following: (1) recommending to the Board a framework of remuneration for the Board, key management personnel of the Group and those employees related to the Executive Directors and controlling shareholders of the Group, covering all aspects of remuneration such as directors' fees, salaries, allowances, bonuses, options and benefits in kind; (2) reviewing annually the remuneration, bonuses, pay increase and/or promotions of employees who are related to the Directors or substantial shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities; (3) reviewing the Company's obligations arising in the event of termination of service contracts entered into between the Group and its Executive Directors or Executive Officers, as the case may be, to ensure that the service contracts contain fair and reasonable termination clauses which are not overly onerous to the Group; (4) if necessary, seeking expert advice within and/or outside the Company on remuneration matters, ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants; (5) reviewing annually the remuneration package in order to maintain their attractiveness to retain and motivate the Directors and executive officers and to align the interests of the Directors and executive officers with the long-term interests of the Company; and

Guidelines of the Code	DISA's Corporate Governance practices
	(6) overseeing the administration of the DISA Employee Share Option Scheme (formerly known as the Equation Employee Share Option Scheme) and the DISA Performance Shares Scheme (formerly known as the ECL Performance Shares Scheme) (refer to Principle 8.2 for further details of both schemes) or any other similar share plans as may be implemented by the Company from time to time and decide on the allocations and grants of such options or shares to eligible participants.
7.2 RC to recommend a framework of remuneration for each director and key management personnel; Recommendations should be submitted for endorsement by the entire Board; RC to review remuneration of key management personnel	The Company sets remuneration packages to ensure it is competitive and sufficient to attract, retain and motivate Directors and key management personnel of the required experience and expertise to run the Group successfully. The RC recommends for Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to Directors' fees (where applicable), salaries, allowances, bonuses, share options, and benefits in kind and specific remuneration packages for each director and key executive. No Director is involved in deciding his own remuneration.
7.3 RC should seek expert advice, if necessary. The names and firms of the remuneration consultants and a statement on whether the remuneration consultants have any such relationships with the company should be disclosed	Where necessary, the RC shall seek expert advice inside and/or outside the Company on remuneration of all Directors. There was no remuneration consultant engaged for FY2017.
7.4 RC should review the company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC should aim to be fair and avoid rewarding poor performance	The RC will also review the Company's obligations arising in the event of termination of the Executive Directors and Key Management Personnel contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses, which are not overly generous.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) Key Management Personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.

Guidelines of the Code	DISA's Corporate Governance practices
8.1 Package should align executive directors' and key management personnel interests with shareholders' interest and promote the long term success of the Company; Appropriate and meaningful measures to assess executive directors' and key management personnel performance	In determining the level of remuneration, the RC shall: • give due consideration to the Code's principles and guidance notes on the level and mix of remuneration so as to ensure that the level of remuneration is appropriate to attract, retain and motivate directors needed to run the Company successfully, taking into account of the risk policies of the Company and be symmetric with risks outcomes and be sensitive to the time horizon of risks; • ensure that proportion of the remuneration is linked to corporate and individual's performance; and • design remuneration packages in such manner to align interests of executive Directors and Key Management Personnel with those of shareholders. Annual review is carried out by the RC to ensure that the remuneration of the Executive Directors and Key Management Personnel commensurate with the Company's and their performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO is reviewed periodically by the RC and the Board.
8.2 Long-term incentive schemes are generally encouraged and the cost and benefits of long term incentive schemes should be carefully evaluated	The Company has a share option scheme known as the DISA Employee Share Option Scheme (the "DISA ESOS") (formerly known as Equation Employee Share Option Scheme) (the "ECL ESOS") which serves as a long-term incentive scheme for the directors and employees of the Company. A revised DISA ESOS (the "ESOS 2010") was approved and adopted by members of the Company at an Extraordinary General Meeting ("EGM") held on 28 October 2010 ("Date of Adoption"). The ESOS 2010 shall continue to be in force at the discretion of the Company subject to a maximum period of 10 years commencing from the Date of Adoption till 27 October 2020. Controlling shareholders of the Company or associate of controlling shareholders shall not participate in the ESOS 2010, unless it has been approved by the independent shareholders in general meeting in separate resolutions for each such person and, in respect of each such person, in separate resolutions for each (i) his participation and (ii) the actual number of shares and terms of any option to be granted to him. The ESOS 2010 replaced the ECL ESOS (the "ESOS 1999") that was approved and adopted by members of the Company at the EGM held on 23 December 1999. The ESOS 1999 expired on 22 December 2009. However, the expiry of the ESOS 1999 shall not affect options which have been granted and accepted as disclosed below, whether such options have been exercised (whether fully or partially) or not. During FY2017, the Company granted an aggregate of 45,000,000 share options pursuant to the ESOS 2010.

CORPORATE GOVERNANCE REPORT

Guidelines of the Code	DISA's Corporate Governance practices
	The Company has also a performance shares scheme known as DISA Performance Shares Scheme ("DISA PS Scheme") (formerly known as ECL PS Scheme) ("the ECL PS Scheme") which serves to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to improve their performance. Shareholders have approved the DISA PS Scheme on 31 October 2008. Controlling shareholders of the Company and their associates are eligible to participate in the DISA PS Scheme. No awards were granted under the DISA PS Scheme during FY2017. The ESOS 2010 is administered by a committee comprising Mr. Lau Kay Heng (Chairman), Mr. Chng Weng Wah and Mr. Toh Hock Ghim. However, no member of the committee shall be involved in any deliberation in respect of options to be granted to him. The DISA PS Scheme is administered by a committee comprising Mr. Toh Hock Ghim (Chairman), Mr. Chng Weng Wah and Mr. Lau Kay Heng.
8.3 Remuneration for non-executive directors should be appropriate to level of contribution, effort, time spent and responsibilities. Non-executive directors should not be over-compensated to the extent that their independence may be compromised	The Non-Executive Directors do not have any service contracts. Each of them is paid a basic fee, determined by the full Board based on their level of contribution and scope of responsibilities. The Chairman of the Board also received a minimal fee for chairing the Board meeting. These fees are subject to approval by shareholders as a lump sum payment at the AGM of the Company. The Board, together with the NC, ensures that the Independent Non-Executive Directors are not compensated to the extent that their independence is compromised.
8.4 Companies are encouraged to consider the use of contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company	The Company does not have contractual provisions to allow the reclaim of incentive components of remuneration from executive directors and key management personnel. The RC, together with the Board, will monitor and re-assess at the appropriate juncture again on whether such contractual provisions are necessary.

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and Key Management Personnel, and performance.

Guidelines of the Code	DISA's Corporate Governance practices
9.1, 9.2 & 9.3 Remuneration of directors, the CEO and at least the top 5 key management personnel (who are not directors) should be reported to shareholders annually. The company should fully disclose the remuneration of each individual director and the CEO on a named basis. For the top 5 key management personnel, the company should name and disclose the remuneration in applicable bands of $250,000 and disclose in aggregate the total remuneration paid to the top 5 key management personnel (who are not directors or the CEO)	Directors' Remuneration There are both fixed and variable components to the Executive Directors' remunerations. The variable components are tied to the Group's performance. Given the highly competitive conditions of the Company's industry and that the total directors' fees payable to directors are subject to shareholders' approval, the Company believes that the full disclosure of each Director's remuneration as recommended by the Code may not be in the best interest of the Company. A breakdown showing the level and percentage mix of each individual Director's remuneration paid/payable for FY2017 are as follows:

	Remuneration Band	Salary & Fees	Performance Related Income/ Bonuses	Other Benefits	Total Remuneration
	$	%	%	%	%
Executive Directors					
Chng Weng Wah	Between 250,000 and 750,000	95	3	2	100
Teo Khiam Chong	Between 250,000 and 750,000	–	–	–	–
Non-Executive Directors					
Toh Hock Ghim	<250,000	91	–	9	100
Lau Kay Heng	<250,000	99	–	1	100
Kan Ah Chye	<250,000	100	–	–	100
Lim Soon Hock	<250,000	100	–	–	100
Loh Eu Tse Derek	<250,000	100	–	–	100

<table>
<tr><th>Guidelines of the Code</th><th>DISA's Corporate Governance practices</th></tr>
<tr><td></td><td>
Top 5 Key Management Personnel
For FY2017, the Group has 9 Key Management Personnel. The remuneration of the top 5 Key Management Personnel (who are not Directors or the CEO of the Company) of the Group are set out below in bands of $500,000. The aggregate remuneration of the top 5 Key Management Personnel for FY2017 is $1,344,000. Given the highly competitive conditions of the Company's industry, the Company believes that the full disclosure and breakdown of each Key Management Personnel's remuneration as recommended by the Code may not be in the best interest of the Company. The names of the Key Management Personnel are not disclosed to maintain the confidentiality of the remuneration packages of these key executives.
<table>
<tr><th>Remuneration Bands $</th><th>No. of Executives</th></tr>
<tr><td>Below 500,000</td><td>9</td></tr>
</table>
No termination, retirement and post-employment benefits is granted to our Directors, CEO and the top 5 Key Management Personnel of the Group during FY2017.
</td></tr>
<tr><td>9.4 Disclose remuneration details of employees who are immediate family members of a director or the CEO, and whose remuneration exceed $50,000 during the year</td><td>
Mr. Chng Weng Huat, is the sibling of the CEO, Mr. Chng Weng Wah. Mr. Chng Weng Huat is employed by the Company as a Technical Director of the Company from 1 November 2011 to 30 April 2017, and has been re-designated as a Solutions Director of the Company with effect from 1 May 2017, and received remuneration in that respective capacity.
A breakdown showing the percentage mix of Mr. Chng Weng Huat's remuneration paid/payable for FY2017 is as follows:
<table>
<tr><th>Remuneration Band $</th><th>Salary %</th><th>Bonuses %</th><th>Other Benefits %</th><th>Total Remuneration %</th></tr>
<tr><td>Between 150,000 to 250,000</td><td>77</td><td>4</td><td>19</td><td>100</td></tr>
</table>
</td></tr>
</table>

<table>
<tr><th>Guidelines of the Code</th><th>DISA's Corporate Governance practices</th></tr>
<tr><td>9.5 Details of employee share scheme</td><td>Details of the DISA Employee Share Option Scheme and DISA Performance Shares Scheme are set out in the Directors' Statement on pages 40 to 43 of the annual report.</td></tr>
<tr><td>9.6 Companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance</td><td>The Company's remuneration system is flexible and responsive to the market and the performance of the Company and the individual Executive Director or Key Management Personnel. The total remuneration mix comprises annual fixed cash and annual performance incentive. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances. The annual performance incentive is tied to the performance of the Company and the individual Executive Director or Key Management Personnel. Taking into consideration the nature of the Company's business activities, certain performance measurements include key financial targets and operational efficiency indicators.</td></tr>
</table>

PRINCIPLE 10: ACCOUNTABILITY

The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

Guidelines of the Code	DISA's Corporate Governance practices
10.1 & 10.2 Board's responsibility to provide balanced, understandable assessment of company's performance, position and prospects; Board should take adequate steps to ensure compliance with legislative and regulatory requirements	The Board provides shareholders with quarterly and annual financial reports within the legally prescribed periods. Results for the first three quarters are released to shareholders within 45 days of the end of the quarter. Annual results are released within 60 days of the financial year-end. In the Group's financial result announcements to shareholders, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's performance, position and prospects. To ensure compliance with legislative and regulatory requirements, including requirements under the Rules of Catalist, the Board, through Management, reviews the relevant compliance reports and ensure that Management seeks the Board's approval of such reports or requirements.
10.3 Management should provide Board with management accounts on a monthly basis	Management provides the Executive Directors with a monthly financial report. Monthly meetings are conducted involving the Management and the respective business units heads. Additional or ad-hoc meetings are conducted, when required. Management make presentations to the Board on a quarterly basis on the financial performance of the Group, or as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Guidelines of the Code	DISA's Corporate Governance practices
11.1 & 11.2 Board to determine the company's levels of risk tolerance and risk policies and to review the adequacy and effectiveness of the company's risk management and internal control systems, including financial, operational, compliance and information technology controls established by management at least annually	The Board oversees Management in the area of risk management and internal control system. The Board regularly reviews and improves the Company's business and operational activities to identify areas of significant risks as well as take appropriate measures to control and mitigate these risks. Management highlights and discusses (if any) salient risk management matters to the Board on a quarterly basis. The Company's risk management framework and internal control system covers financial, operational, compliance and information technology risks and internal controls. Internal audit is outsourced to a third party professional firm. The ARMC evaluates the findings of the external and internal auditors on the Group's internal controls annually.

Guidelines of the Code	DISA's Corporate Governance practices
11.3 Board's comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's annual report. The Board should also comment in the company's annual report on whether it has received assurance from the CEO and the Chief Financial Officer ("CFO")	Although the Board acknowledges that it is responsible for the overall internal control framework, it also recognises that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. Based on the internal control policies and procedures established and maintained by the Group, and the continuous effort at enhancing such controls and procedures, and the regular audits, monitoring and reviews performed by the internal and external auditors, the Board, with the concurrence of the ARMC, is of the opinion that the Group has a robust and effective internal control system addressing financial, operational, compliance and information technology controls and risk management system that is adequate to meet the needs of the Group in its current business environment. The Board has also received assurance from the CEO and CFO: (a) that the financial records have been properly maintained and the financial statements for the financial year ended 30 June 2017 give a true and fair view of the Company's operations and finances; and (b) the Company's risk management and internal control systems including financial, operational, compliance and information technology controls, and risk management systems are effective.
11.4 Establishment of a separate board risk committee or otherwise assess appropriate means to assist the Board in carrying out its responsibility of overseeing the company's risk management framework and policies	The ARMC of the Company has been assisting the Board in carrying out, among other things, its responsibility of overseeing the Group's risk management framework and policies.

PRINCIPLE 12: AUDIT AND RISK MANAGEMENT COMMITTEE

The Board should establish an Audit and Risk Management Committee ("ARMC") with written terms of reference which clearly set out its authority and duties.

Guidelines of the Code	DISA's Corporate Governance practices
12.1 AC should comprise at least three directors, all non-executives, and the majority of whom including the chairman, are independent. The Board should disclose the names of the members of the AC, its key terms of reference, explaining its role and authority delegated to it by the Board	The ARMC comprises five (5) members, all of whom are Non-Executive Directors, and majority of whom, including the Chairman of the ARMC, are Independent Directors. The composition of the ARMC is set out on page 18 of this annual report. The profiles of the ARMC members are set out on pages 7 to 9 of this annual report. The key terms of reference of the ARMC, its role and authority are further detailed in Principle 12.4 of this corporate governance report.
12.2 Board to ensure AC members are appropriately qualified to discharge their responsibilities	The Board considers the members of the ARMC to be qualified to discharge the responsibilities of the ARMC as four (4) members of the ARMC, including the Chairman of the ARMC, have accounting or related financial management expertise or experience.

Guidelines of the Code	DISA's Corporate Governance practices
12.3 AC to have explicit authority to investigate any matter and have full access and co-operation by management, and reasonable resources to discharge its functions	The ARMC is authorised by the Board to investigate into any activity within its terms of reference. It has unrestricted access to information relating to the Group, to both internal and external auditors and has full discretion to invite any director or executive officer to attend its meetings. The ARMC has expressed power to commission investigations into any matters, which has or is likely to have material impact on the Group's operating results and/or financial position. The ARMC has adequate resources to enable it to discharge its responsibilities properly.
12.4 Duties of the AC	The ARMC is regulated by its terms of reference and meets at least four (4) times a year and as warranted by circumstances, to perform the following functions: (1) review significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company; (2) review with the external auditors the audit plan and their evaluation of the Group's systems of internal controls; (3) review with the external auditors the scope and results of the audit and its cost effectiveness; (4) review the co-operation given by Management to the external auditors; (5) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Company or the Group's results or financial position; (6) review the Group's financial results, external auditors' reports and the results announcements before submission to the Board for approval; (7) nominate external auditors for appointment and re-appointment and reviews their independence and objectivity; (8) approve the remuneration and terms of engagement of the external auditors; (9) review interested person transactions, if any, and potential conflict of interests; (10) review the adequacy of the Group's material internal controls (including financial, operational, compliance and information technology controls) and risk management policies as well as the effectiveness of the Group's internal audit function; (11) review the scope and results of the internal audit procedures; (12) review arrangements by which staff of the Group may, in confidence raise concerns about possible improprieties in matters of financial reporting or other matters, so as to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action; and (13) assist the Board in ensuring that the Management maintains a sound system of risk management and internal controls to safeguard shareholder's interest and the Company's assets, and to determine the nature and extend of significant risk which the Board is willing to take in achieving its strategic objectives.

Guidelines of the Code	DISA's Corporate Governance practices
	Minutes of the ARMC meetings are regularly submitted to the Board for its information and review. In the review of the financial statements for FY2017, the ARMC discussed with Management and the external auditors on significant issues and assumptions that impact the financial statements. The most significant matters have also been included in the Independent Auditors' Report to the members of the Company under "Key Audit Matters", namely (i) impairment assessment of intangible assets; (ii) recoverability of trade receivables; (iii) impairment assessment of available-for-sale investments; (iv) prepayment rights, interest in and ownership of granite; (v) provision for legal proceedings; and (vi) impairment assessment of investments in subsidiaries. Based on its review as well as discussion with Management and the external auditors, the ARMC is satisfied that those matters, including the six Key Audit Matters, have been properly dealt with and recommended the Board to approve the financial statements for FY2017 and the Board has approved them.
12.5 AC to meet internal and external auditors, without presence of the management, at least annually	For FY2017, the ARMC met with the external and internal auditors without the presence of the Management for the purpose of facilitating discussion of the responses by Management on audit matters. The ARMC has reviewed the findings of the auditors and the assistance given to the auditors by the Management.
12.6 AC to review independence of external auditors annually and to state the aggregate amount of fees paid to the external auditors and a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement.	During the financial year under review, the fees payable to the external auditors of the Company, Mazars LLP, for audit amounted to $56,200. No non-audit service fee was paid to the external auditors. The ARMC has conducted a review and noted that there are no non-audit services provided by the external auditors during FY2017 and is satisfied with the independence and objectivity of the external auditors. The ARMC constantly bears in mind the need to maintain a balance between the independence and objectivity of the external auditors and the work carried out by the external auditors based on value-for-money considerations. The external auditors have unrestricted access to the ARMC. In addition, the ARMC has reviewed the adequacy of the resources, experience of the external auditors and of the audit engagement partner assigned to the audit. The ARMC is satisfied that the external auditors are able to meet their audit obligations. Accordingly, the Company has complied with Rule 712 of the Rules of Catalist. The ARMC had recommended and the Board had approved the nomination to re-appoint Mazars LLP as the Company's external auditor for the next financial year ending 30 June 2018. Both the ARMC and the Board have reviewed and noted that there is no appointment of different auditors for its subsidiaries and/or significant associated companies and accordingly, the Company has complied with Rule 715 of the Rules of Catalist.

Guidelines of the Code	DISA's Corporate Governance practices
12.7 AC to review arrangements for staff to raise concerns about possible improprieties to AC. The existence of a whistle blowing policy should be disclosed in the company's annual report	The Group has in place, a whistle-blowing policy where employees of the Group and the public can raise, in confidence, concerns about possible improprieties. Such a policy serves to encourage and provide a channel for staff to report in good faith and without fear of reprisals, concerns about possible improprieties in financial reporting or other matters to any member of the ARMC. Details of the whistle-blowing policies and arrangements have been made available to all employees. Members of the public can also refer to the Company's website for whistle-blowing arrangements. During the financial year under review, there was no report of any whistle-blowing incidents being made to the ARMC.
12.8 Disclose a summary of the AC's activities in the company's annual report and also measures taken by the AC members to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements	In FY2017, the ARMC has reviewed, with the Management and the external auditors, the results of the Group before submitting them to the Board for its approval and announcement of the financial results. The ARMC also reviewed and monitored the Group's financial condition, internal and external audit reports, exposure to risks and the effectiveness of the Group's system of accounting and internal controls. The ARMC also monitors proposed changes in accounting policies, reviews the internal audit functions and discusses accounting implications of major transactions including significant financial reporting issues. In its review of the financial statements for FY2017, the ARMC is of the view that the financial statements are fairly presented in conformity with the relevant Singapore Financial Reporting Standards in all material aspects. Upon request by any ARMC member, the Company will sponsor him for any relevant regulatory update courses. The ARMC members also receive and discuss any accounting standards update from its external auditors, whenever material changes in accounting standards affecting the Group arise. For FY2017, the external auditors have presented to the ARMC the audit plan and updates relating to any change of accounting standards which have a direct impact on the financial statements during the ARMC meetings. The Group and the Company have not early adopted any of the new or revised standards, interpretations and amendments to the existing standards in the financial year ended 30 June 2017. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's and the Company's significant accounting policies and presentation of the financial information will result.

Guidelines of the Code	DISA's Corporate Governance practices
12.9 A former partner or director of the company's existing auditing firm should not act as a member of the company's AC under certain conditions prescribed by the Code	No ARMC member is a former partner or director of the Company's auditing firm.

PRINCIPLE 13: INTERNAL AUDIT

The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

Guidelines of the Code	DISA's Corporate Governance practices
13.1, 13.2, 13.3 and 13.4 Internal Auditors ("IA") to report to AC chairman, and to CEO administratively; AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the outsourced internal audit firm; AC to ensure IA function is adequately resourced; IA function staffed with persons with the relevant qualifications and experience; IA meet standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors	The size of the existing operations of the Group does not warrant the Group to have an in-house internal audit team. The Group has outsourced its internal audit function to Nexia TS Risk Advisory Pte. Ltd. ("Nexia"), to carry out internal audit review using a risk-based approach. The ARMC approves the hiring, removal, evaluation and compensation of the internal audit function. The internal auditors have unfettered access to the Group's records, documents, properties and personnel, including access to the ARMC. Nexia, a leading global association of independent accounting and a business advisory firm, undergoes rigorous selection and retention process to ensure their member firms offer high standards of professional services. The internal auditors primarily report to the Chairman of the ARMC. Being an independent function, the audit work is conducted with impartiality and professional care. The latest internal audit was conducted in November 2016. Due to the Group's restructuring efforts in FY2017, the internal audit will be conducted for FY2018.
13.5 AC to review adequacy and effectiveness of internal audit function, at least annually	The internal auditors plans its internal audit plan annually, following a risks assessment exercise, in consultation with, but independent of Management. The internal audit plan is submitted to the ARMC for approval prior to the commencement of the internal audit. Internal audit reports are distributed to and discussed with the ARMC. The ARMC oversees and monitors the implementation of the improvements required on internal control weaknesses identified. The ARMC has full access to and the co-operation of the Management and internal auditors, ensuring that the internal audit function is adequately and effectively resourced to perform its function.

PRINCIPLE 14: SHAREHOLDER RIGHTS

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Guidelines of the Code	DISA's Corporate Governance practices
14.1 Facilitate the exercise of ownership rights by all shareholders. Shareholders to be sufficiently informed of changes in the company or its business which would be likely to materially affect the price or value of the company's shares	The Group's corporate governance culture and awareness promotes fair and equitable treatment for all shareholders. All shareholders enjoy specific rights under the Companies Act and the Constitution of the Company. All shareholders are treated fairly and equitably. The Group respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure pertaining to changes in the Group or its business which would be likely to materially the price or value of the Company's shares.
14.2 Ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders	Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company. At general meetings, shareholders will be informed of the rules and voting procedures relating to the general meetings.
14.3 Allow corporations which provide nominee or custodial services to appoint more than two proxies	The Constitution of the Company does allow a shareholder (who is not the Central Depository (Pte) Limited; and who is also not a relevant intermediary, as defined in Section 181(6) of the Companies Act) to vote either in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a shareholder. Pursuant to the Companies (Amendment) Act 2014, a shareholder of the Company who is a relevant intermediary (as defined in Section 181(6) of the Companies Act), may appoint more than two proxies to attend, speak and vote at the AGM.

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Guidelines of the Code	DISA's Corporate Governance practices
15.1 and 15.2 Company to regularly convey pertinent information and disclosure of information should be as descriptive, detailed and forthcoming as possible; and information should be disclosed on timely basis	The Board is mindful of the obligation to keep shareholders informed of all major developments that affect the Group in accordance with the Rules of Catalist. Price sensitive information is publicly released via the SGXNET. Information is communicated to shareholders on a timely and non-selective basis through: • annual reports that are prepared and issued to all shareholders within the mandatory period; • public announcements via the SGXNET system and the Company's corporate website; and • notices of shareholders' meetings on SGXNET and advertised in a newspaper in Singapore.
15.3 and 15.4 The Board should establish and maintain regular dialogue with shareholders, to gather views or inputs and address shareholders' concerns. The Board should state in the annual report, steps it has taken to solicit and understand the views of the shareholders	Shareholders are encouraged to attend and raise questions to the Directors at the Company's general meetings. At these meetings, shareholders are given the opportunity to voice their views and raise issues either formally or informally. These meetings provide excellent opportunities for the Board to engage with shareholders to solicit their feedback. The Company's website at www.DiSa.sg is another channel to solicit and understand the views of the shareholders.

CORPORATE GOVERNANCE REPORT

Guidelines of the Code	DISA's Corporate Governance practices
15.5 Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders. Where dividends are not paid, the companies should disclose their reasons	The Company does not have a formalised dividend policy. The Board will need to further assess its on-going financial and operational requirements before arriving at any decision relating to the payment of dividends. No dividend is declared for FY2017 as the Company has incurred a loss in FY2017. Any dividend payouts are clearly communicated to shareholders in public announcements and via announcements on the SGXNET when the Company discloses its financial results.

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Guidelines of the Code	DISA's Corporate Governance practices
16.1 and 16.3 Shareholders should be allowed to vote in person or in absentia; presence of AC, NC, RC chairpersons and auditors at AGMs	Participation of shareholders is encouraged at the Company's general meetings. The Board (including the chairpersons of the respective committees), Management, as well as the external auditors are invited to attend the Company's AGM to address any questions that shareholders may have. The Company's Constitution allows a member of the Company to appoint up to two (2) proxies to attend and vote in place of the member.
16.2 Separate resolutions at general meetings on each substantially separate issue	Each item of special business included in the notice of the general meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for each separate issue at the meeting.
16.4 Companies are encouraged to prepare minutes of general meetings and to make these available upon request	All minutes of general meetings, and a summary of the questions and answers raised at general meetings are publicly available to shareholders upon request.
16.5 Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling	The Company put all resolutions to vote by poll (commencing from the financial year ended 30 June 2013 general meeting) and announcement of the detailed results of the general meetings were released on the SGXNET after the general meetings.

INTERNAL CODE ON DEALING IN SECURITIES

Rules of Catalist	DISA's Corporate Governance practices

Rule 1204 (19) of the Rules of Catalist	In line with Rule 1204 (19) of the Rules of Catalist, the Company has adopted an internal code on dealing in the Company's securities. All Directors and officers of the Company are not allowed to deal in the Company's shares during the period commencing two weeks or one month before the announcement of the Company's quarterly and annual results respectively and ending on the date of the announcement of the results. In addition, all Directors and employees are required to observe insider trading laws at all times and are prohibited from trading whilst in possession of unpublished price-sensitive information of the Group. They are also discouraged from dealing in the Company's shares on short-term considerations.

MATERIAL CONTRACTS

Rules of Catalist	DISA's Corporate Governance practices
Rule 1204 (8) of the Rules of Catalist	Save for the service agreement entered into between the CEO and the Company, there were no other material contracts entered into by the Company and subsidiaries involving the interests of the CEO, each Director or controlling shareholder which were either subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTION ("IPT") POLICY

Rules of Catalist	DISA's Corporate Governance practices
Rules 907 and 920 of the Rules of Catalist	The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the ARMC and that transactions are conducted at arm's length and not prejudicial to the interests of the Company and minority shareholders. There were no interested person transactions which amounted to $100,000 or more during FY2017 and the Group does not have a general IPT mandate.

RISK MANAGEMENT

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant controls, policies and procedures and highlights all significant matters to the ARMC and the Board. The risk issues are outlined in Note 34 of the financial statements.

USE OF PROCEEDS

A report on the use of proceeds from Private Placement of 200,000,000 new ordinary shares in the issued and paid-up capital of the Company ("Shares") on 13 March 2015 ("Private Placement 1"), Private Placement of an aggregate of 600,000,000 Shares on 17 November 2016 ("Private Placement 2"), Placement via placement agent of 300,000,000 Shares on 13 December 2016 ("Placement 3"), Private Placement of an aggregate of 380,000,000 Shares on 13 December 2016 ("Private Placement 4"), Redeemable Convertible Bonds on 23 December 2016 ("RCB"), Warrants Issue on 3 August 2015 ("Warrants Issue") and exercise of warrants pursuant to the Warrants Issue ("Warrant Exercise"), for the intended purposes of the Group's general working capital, business expansion and for other acquisition and/or investments by the Group is appended as follows:

Proceeds from Private Placements

	Private Placement 1 $'000	Private Placement 2 $'000	Placement 3 $'000	Private Placement 4 $'000
Net proceeds raised	1,400	4,200	2,970	3,762
Less: Utilisations				
Working capital expenditures (Note a)	(1,400)	–	(159)	–
Investments	–	–	–	(3,762)
Repayment of loans (Note b)	–	(4,200)	–	–
Repayment of accrued interest from convertible loan	–	–	(1,576)	–
Balance as at 20 September 2017	–	–	1,235	–

Proceeds from Warrants

	Warrants Issue $'000	Warrants Exercise $'000
Net proceeds raised	3,493	25,497
Less: Utilisations		
Working capital expenditures (Note a)	(1,300)	(1,945)
Repayment of loans (Note b)	(2,193)	(1,173)
Balance as at 4 August 2017	–	22,379

Proceeds from Redeemable Convertible Bonds

	RCB $'000
Net proceeds raised	12,000
Less: Utilisations	–
Balance as at 30 June 2017	12,000

Note a: Working capital expenditures consists of staff salaries and related expenses as well as trade and non-trade payments.

Note b: Repayment of loans including accrued interest for working capital purposes.

CATALIST SPONSOR

The Continuing Sponsor of the Company is SAC Capital Private Limited ("Sponsor"). There were no non-sponsor fees paid to the Sponsor by the Company during FY2017.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

The directors of DISA Limited (formerly known as Equation Summit Limited) (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") and the statement of financial position of the Company for the financial year ended 30 June 2017.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

The directors of the Company in office at the date of this statement are:

Executive directors
Chng Weng Wah
Teo Khiam Chong (Appointed on 11 May 2017)

Independent Non-Executive directors
Toh Hock Ghim
Lau Kay Heng
Kan Ah Chye
Loh Eu Tse Derek (Appointed on 11 May 2017)

Non-Independent and Non-Executive director
Lim Soon Hock (Appointed on 11 May 2017)

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Except as disclosed in paragraphs 4, 5 and 6 of this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of the objects was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as disclosed below:

	Direct interest			Deemed interest		
Name of the directors and respective companies in which interests are held	**At beginning of the financial year**	**At end of the financial year**	**At 21 July 2017**	**At beginning of the financial year**	**At end of the financial year**	**At 21 July 2017**
Chng Weng Wah			Number of ordinary shares			
The Company	512,224,132	590,950,850	590,950,850	463,050,000	463,050,000	463,050,000
Equation Energy Pte. Ltd.	–	–	–	700,000	700,000	700,000
Equation Resources Pte. Ltd.	–	–	–	11,659,336	11,659,336	11,659,336
Held by Disa Digital Safety Pte. Ltd.						
Disa Digital Safety GmbH (Ordinary shares of EUR1 each)	–	–	–	436,260	436,260	436,260
Kan Ah Chye						
The Company	–	2,500,000	2,500,000	–	–	–
Teo Khiam Chong						
The Company	–	–	–	–	295,164,000	445,589,700

By virtue of Section 7 of the Act, Chng Weng Wah is deemed to have an interest in all related corporations of the Company.

5. SHARE OPTIONS

DISA Employee Share Option Scheme (the "DISA ESOS") (formerly known as Equation Employee Share Option Scheme (the "ECL ESOS"))

The ECL ESOS ("ECL ESOS 2010") was approved and adopted by members of the Company at an Extraordinary General Meeting ("EGM") held on 28 October 2010 ("Date of Adoption").

The ECL ESOS is administered by the ECL ESOS Committee, which comprises the following directors:

Lau Kay Heng	Chairman, Non-Executive Director
Toh Hock Ghim	Non-Executive Director
Chng Weng Wah	Executive Director

The ECL ESOS 2010 replaced the ECL ESOS ("ECL ESOS 1999") that was approved and adopted by members of the Company at an EGM held on 23 December 1999. The ECL ESOS 1999 expired on 22 December 2009. However, the expiry of the ECL ESOS 1999 shall not affect options which have been granted and accepted as disclosed below, whether such options have been exercised (whether fully or partially) or not. The ECL ESOS 2010 shall continue to be in force at the discretion of the Company subject to a maximum period of 10 years commencing from the Date of Adoption till 27 October 2020. Subsequently, the ECL ESOS has been renamed to the DISA ESOS with effect from 13 February 2017.

5. SHARE OPTIONS (CONTINUED)

DISA Employee Share Option Scheme (the "DISA ESOS") (formerly known as Equation Employee Share Option Scheme (the "ECL ESOS")) (Continued)

Other information regarding the DISA ESOS is set out below:

- The exercise price of the options can be set at a discount not exceeding 20% of the weighted average of the last-dealt price for a share for the three (3) consecutive days immediately preceding the date of grant in respect of options granted at the time of grant.

- The aggregate number of ordinary shares which may be allotted and issued shares upon the exercise of options granted pursuant to the DISA ESOS of the Company shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.

  As at 30 June 2017, outstanding options issued under the DISA ESOS (formerly known as ECL ESOS) represent 0.7% (2016: 0.2%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company.

- Options granted to and accepted by executives, directors and employees in respect of an option granted with a subscription price at the market prices will be exercisable after the first anniversary of the offer date of that option. Options granted to and accepted by executives, directors and employees in respect of an option granted with a subscription price at a discount to the market price will only be exercisable after the second anniversary of the offer date of that option.

- The options granted will expire after 10 years from offer date of the option for directors and employees of the Company and its subsidiaries.

At the end of the financial year, details of the options granted under the DISA ESOS on the unissued ordinary shares of the Company, were as follows:

Date of grant	Balance as at 1 July 2016	Addition	Options exercised	Options lapsed/ expired	Balance as at 30 June 2017	Exercise price per share (S$)	Exercisable Period
ESOS 2010							
8 January 2015	10,000,000	–	(2,500,000)	–	7,500,000	0.00600	8 January 2016 to 7 January 2025
8 December 2016	–	18,000,000	–	–	18,000,000	0.01110	8 December 2017 to 7 December 2026
8 December 2016	–	8,000,000*	–	–	8,000,000	0.00999	8 December 2018 to 7 December 2026
8 February 2017	–	1,000,000	–	–	1,000,000	0.03260	8 February 2018 to 7 February 2027
16 March 2017	–	10,000,000	–	–	10,000,000	0.03010	16 March 2018 to 15 March 2027
3 April 2017	–	8,000,000	–	–	8,000,000	0.02920	3 April 2018 to 2 April 2027
	10,000,000	45,000,000	(2,500,000)	–	52,500,000		

* These share options were granted at a 10% discount.

5. SHARE OPTIONS (CONTINUED)

DISA Employee Share Option Scheme (the "DISA ESOS") (formerly known as Equation Employee Share Option Scheme (the "ECL ESOS")) (Continued)

The details of the options granted under the DISA ESOS to persons who were directors of the Company during the financial year are as follows:

Name of director	Aggregate options granted since commencement of the DISA ESOS 2010 to the beginning of financial year	Aggregate options exercised since commencement of the DISA ESOS 2010 to the end of financial year	Aggregate options lapsed/expired since commencement of the DISA ESOS 2010 to the end of financial year	Aggregate options outstanding as at the end of financial year
Toh Hock Ghim	5,000,000	–	–	5,000,000
Lau Kay Heng	2,500,000	–	–	2,500,000
Kan Ah Chye	2,500,000	(2,500,000)	–	–

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

There are no share options granted to directors of the Company under the DISA ESOS during the financial year.

There were 2,500,000 share options exercised in the current financial year (2016: Nil).

Since the commencement of the DISA ESOS 2010, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the DISA ESOS has been granted 5% or more of the total options available under the DISA ESOS.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

6. PERFORMANCE SHARES

DISA Performance Share Scheme (the "DISA PS Scheme") (formerly known as Equation Performance Share Scheme (the "ECL PS Scheme"))

The DISA PS Scheme was approved and adopted by members of the Company at an EGM held on 31 October 2008. The DISA PS Scheme is administered by the DISA PS Scheme Committee. The members of the committee at the end of financial year and at the date of this statement are:

Toh Hock Ghim	Chairman, Non-Executive Director
Chng Weng Wah	Executive Director
Lau Kay Heng	Non-Executive Director

Selected employees of the Group, Executive Directors and Non-Executive Directors of the Company and Directors who are also controlling shareholders of the Company and their associates ("Participants") are eligible to participate in this DISA PS Scheme.

The Company has the flexibility to either issue and deliver new shares of the Company, or purchase and deliver existing shares of the Company to Participants upon the vesting of the awards.

6. **PERFORMANCE SHARES** (CONTINUED)

DISA Performance Share Scheme (the "DISA PS Scheme") (formerly known as Equation Performance Share Scheme (the "ECL PS Scheme")) (Continued)

Participants will receive fully paid shares of the Company, provided that certain prescribed performance targets are met within a prescribed period.

A Participant's award of ordinary shares in the share capital of the Company ("Shares") under the DISA PS Scheme (the "Award") will be determined at the sole discretion of the DISA PS Scheme Committee, which will oversee and administer the DISA PS Scheme.

During the financial year, no awards were granted under the DISA PS Scheme.

Other information regarding the DISA PS Scheme is set out below:

- The aggregate number of Award Shares (shares comprised in Awards) to be delivered to the vesting of the Awards on any date, when added to the number of shares issued and/or issuable under such other share-based incentive schemes (including the DISA ESOS) of the Company shall not exceed 15% of the issued shares (excluding treasury share and subsidiary holdings) of the Company on the day preceding that date.

- The aggregate number of Award Shares available to eligible controlling shareholders and their associates under the DISA PS Scheme shall not exceed 25% of the Shares available under this DISA PS Scheme. In addition, the number of Award Shares available to each such controlling shareholder or his associate shall not exceed 10% of the Shares available under this DISA PS Scheme.

- The DISA PS Scheme shall continue to be in force at the discretion of the DISA PS Scheme Committee, subject to a maximum period of 10 years commencing on the date of adoption of the DISA PS Scheme (expiring on 30 October 2018), provided always that the DISA PS Scheme may continue beyond the above stipulated period with the approval of the Company's Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

7. **AUDIT AND RISK MANAGEMENT COMMITTEE**

The Audit and Risk Management Committee of the Company comprises five non-executive directors and at the date of this statement, they are:

Lau Kay Heng	Chairman, Non-Executive Director
Toh Hock Ghim	Non-Executive Director
Kan Ah Chye	Non-Executive Director
Lim Soon Hock	Non-Executive Director
Loh Eu Tse Derek	Non-Executive Director

The Audit and Risk Management Committee has convened four meetings during the financial year with key management and the internal and external auditors of the Company.

7. AUDIT AND RISK MANAGEMENT COMMITTEE (CONTINUED)

The Audit and Risk Management Committee carried out its functions in accordance with Section 201B (5) of the Act. In performing those functions, the Audit and Risk Management Committee review:

(i) the audit plan and results of the external audit, including the evaluation of internal accounting controls and its cost effectiveness, and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;

(ii) the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;

(iii) Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;

(iv) the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;

(v) the adequacy of the Group's risk management processes;

(vi) the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(vii) interested person transactions in accordance with SGX listing rules;

(viii) nomination of external auditors and approval of their compensation; and

(ix) submission of report of actions and minutes of the audit and risk management committee to the board of directors with any recommendations as the audit and risk management committee deems appropriate.

The Audit and Risk Management Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit and Risk Management Committee.

The Audit and Risk Management Committee has recommended to the directors the nomination of Mazars LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

8. AUDITORS

The auditors, Mazars LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

CHNG WENG WAH
Director

LAU KAY HENG
Director

Singapore
29 September 2017

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DISA LIMITED (FORMERLY KNOWN AS EQUATION SUMMIT LIMITED)

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of DISA Limited (formerly known as Equation Summit Limited) (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 30 June 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out from pages 54 to 133.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

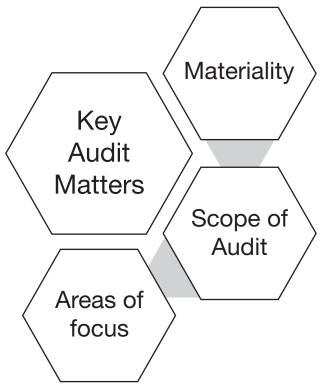
Basis of Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Overview

We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statements and assertion levels.

As in all our audits, we exercised our professional judgement in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.



For the audit of the current year's financial statements, we identified 3 significant components which required a full audit of their financial information, either because of their size or their risk characteristics.

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgements and estimates to be made by directors. We will elaborate on the salient areas of focus as follows:

- Impairment assessment of intangible assets;
- Recoverability of trade receivables;
- Impairment assessment of available-for-sale investments;
- Prepayment of rights, interest in and ownership of granite;
- Provision for legal proceedings; and
- Impairment assessment of investments in subsidiaries.

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters include the aforementioned salient areas of focus in our audit and do not represent all the risks identified by our audit. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter	**Audit response**
Impairment assessment of intangible assets *Refer to Note 3.2 for key sources of estimation uncertainty, and Note 11 (Intangible Assets) for disclosures note.*	
As at 30 June 2017, the Group reported intangible assets of $11,939,000 in the consolidated statement of financial position. The intangible assets are in respect of core technology (including asset protection technology) and development costs which have been determined as a Cash Generating Unit ("CGU") (under the Technology segment). Management is required to assess at the end of each reporting period whether there is any indication that the intangible assets may be impaired. If any such indication exists, the management shall estimate the recoverable amount of the intangible assets. The recoverable amounts of the CGU are determined based on estimates of forecasted revenues, costs, growth rates and discount rates. This is a key audit matter because these estimates require judgement and the determination of the recoverable amounts is a key focus area in our audit.	Our procedures included the following: • Discussed with management on their planned strategies around business expansion, revenue stream growth strategies and cost initiatives, the progress of negotiations with target customers, and obtained the list of secured agreements. • Evaluated the reasonableness of management's estimate of expected future cash flows and challenged management's estimates applied in the value-in-use models, with comparison to recent performance, trend analysis and market expectations. • Reviewed the sensitivity analysis to assess the impact on the recoverable amount of the CGU subsequent to reasonably possible changes to the key assumptions for adequacy of disclosure in the financial statements.

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Matter	**Audit response**
Recoverability of trade receivables *Refer to Note 3.2 for key sources of estimation uncertainty, and Note 15 (Trade and other receivables) for disclosures note.*	
Recoverability of trade receivables is a key audit matter due to the significant overdue balances and the assessment of the recoverability of the trade receivables requires judgements. The Group follows the guidance of FRS 39 *Financial Instruments: Recognition and Measurement* to determine when trade receivables are impaired. This determination requires certain level of judgment. The Group first assesses whether objective evidence of impairment exists for individually significant debtors and collectively for debtors which are not individually significant. The Group evaluates, among other factors, financial status of the trade receivables, any changes in the collection status and changes in industry conditions that affect the trade receivables. Trade receivables that are collectively evaluated for impairment are based on historical loss experience for receivables with similar credit risk characteristics. The methodology and assumptions used for estimating potential impairment loss are reviewed regularly to reduce any differences between loss estimates and actual loss experience.	Our procedures included the following: • Reviewed the ageing reports, the Group's policy for doubtful receivables allowances. • Reviewed management's assessment on the recoverability of long outstanding receivables, and ascertain reasonableness and adequacy of allowance for doubtful receivables as at 30 June 2017. • Checked subsequent settlement of long outstanding receivables.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DISA LIMITED (FORMERLY KNOWN AS EQUATION SUMMIT LIMITED)

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Matter	Audit response
Impairment assessment of available-for-sale investments *Refer to Note 3.1 for critical judgements made in applying the Group's accounting policies, and Note 20 (Financial assets, available-for-sale) for disclosures note.*	
As at 30 June 2017, the Group reported available-for-sale investments of carrying amount of $2,222,000 in the statement of financial position. The available-for-sale investments refer to redeemable preference shares of an investee whose principal activity is property development. The Group assesses at each reporting date whether there is any objective evidence that the investments are impaired. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. This is a key audit matter because the impairment assessment involves management's judgement in relation to the recoverable amount of the available-for-sale investments.	Our procedures included the following: • Reviewed the management's assessment of impairment of the available-for-sale investments as at 30 June 2017 by reviewing the market value of the underlying assets of the available-for-sale investments, financial statements of investees, and other relevant evidence to review the recoverability of the amount of the available-for-sale invested.

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Matter	Audit response
Prepayment of rights, interest in and ownership of granite *Refer to Note 3.2 for key sources of estimation uncertainty, and Note 16 (Other non-current assets) for disclosures note.*	
This is a key audit matter because judgement is required in determining the recoverable amount of prepayment of rights, interest in and ownership of granite. The prepayment for rights, interest in and ownership of granite relates to amounts paid for the 100% of rights, interest in and ownership of granite and plant and machinery paid to PT Kawasan Dinamika Harmonitama ("KDH") by Equation Resources Pte. Ltd. ("ERPL"), an 81.6% owned subsidiary corporation. On 11 September 2015, the Group had registered the arbitral award at Central Jakarta District Court and the stage of enforcement of proceedings of the final arbitral award against KDH in Indonesia. At the date of this report, the Group is in the process of preparation to file Petition for Suspension of Debt Payment Obligations ("Petition") against KDH before the Commercial Court at Medan District Court. The Group assesses at each reporting date whether there is an indication that the prepayment may be impaired. Where an indication of impairment exists, the Group evaluates, among other factors, financial status of KDH and any changes in the enforcement status.	Our procedures included the following: • Discussed with management on the recoverability of the prepayment for rights, interest in and ownership of granite and evaluated the management's assumptions and estimates used to determine the impairment taking into account the local facts and circumstances which are considered key considerations in particular to the status of the enforcement of the award in Indonesia and the financial capability of KDH to repay debt. • Obtained and reviewed the legal confirmation reply from lawyer to understand the fact patterns of the legal proceeding.

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

<table>
<tr><th>Matter</th><th>Audit response</th></tr>
<tr><td colspan="2">Provision for legal proceedings
Refer to Note 28 (Provisions and other liabilities) for disclosures note.</td></tr>
<tr><td>As at 30 June 2017, the Group reported provision for legal proceedings of $194,000 included in provisions and other liabilities in the statement of financial position.

This is a key audit matter because the management have made provisions that require significant judgement in relation to the amount of current and potential future claims from customers for losses or damages associated with the above-mentioned legal proceedings.</td><td>Our procedures included the following:

• Held discussion with management to understand the status of legal proceedings.

• Obtained and reviewed the legal confirmation replies from respective lawyers to understand the status of the legal proceedings and the basis for the qualification of the provisions for legal proceedings.

• Reviewed management's calculation of provision, including their assessment of provisions in relation to the amount of current and potential future claims from customers for losses or damages associated with legal proceedings and challenged and corroborated key assumptions.</td></tr>
<tr><td colspan="2">Impairment assessment of investments in subsidiaries
Refer to Note 3.2 for key sources of estimation uncertainty, and Note 12 (Subsidiaries) for disclosures note.</td></tr>
<tr><td>Management is required to assess at the end of each reporting period whether there is any indication that the investments in subsidiaries may be impaired. If any such indication exists, the management shall estimate the recoverable amount of these investments.

The recoverable amounts are determined based on estimates of forecasted revenues, growth rates and discount rates. These estimates require judgement and the determination of the recoverable amounts is therefore a key audit matter.

Additional impairment amounting to $9 million was made during the financial year.</td><td>Our procedures included the following:

• Evaluated and challenged the key assumptions used by management in the impairment assessment of the investment in subsidiaries, where applicable.

• Assessed the applicable cash flow projections prepared by the management. The procedures include assessed the accuracy of the computation of the discounted cash flows, evaluated the assumptions underpinning of the future cash flows, and evaluated the growth and discount rate used for reasonableness.</td></tr>
</table>

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements, the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Chan Hock Leong, Rick.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
29 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Group 2017 $'000	Group 2016 $'000 (Restated)
Continuing operations			
Revenue			
Sales of goods		90	–
Services rendered		235	450
		325	450
Other income	4	536	1,573
Total revenue		861	2,023
Cost and expenses			
Cost of services		(212)	(265)
Depreciation and amortisation expenses		(1,479)	(1,546)
Employee benefits expenses	5	(3,545)	(1,938)
Legal and professional expenses		(820)	(249)
Impairment losses	7	(8,547)	(7,442)
Loss on disposal of a subsidiary		(643)	–
Loss on liquidation of an associate		(4)	–
Loss on waiver of debts		(862)	(31)
Provision for legal liabilities		(182)	(522)
Operating lease expenses		(438)	(701)
Other expenses		(1,353)	(706)
Total cost and expenses		(18,085)	(13,400)
Results from operations activities		(17,224)	(11,377)
Finance costs	6	(762)	(588)
Share of results of associates		–	(1)
Share of results of joint ventures		27	(330)
Loss before income tax from continuing operations	7	(17,959)	(12,296)
Income tax credit	8	238	239
Loss from continuing operations, net of tax		(17,721)	(12,057)
Discontinued operations			
Profit from discontinued operations, net of tax	12	84	323
Loss for the financial year		(17,637)	(11,734)
Attributable to:			
Owners of the Company			
Loss from continuing operations, net of tax		(16,079)	(11,050)
Profit from discontinued operations, net of tax		50	245
		(16,029)	(10,805)
Non-controlling interests			
Loss from continuing operations, net of tax		(1,642)	(1,007)
Profit from discontinued operations, net of tax		34	78
		(1,608)	(929)
Loss for the financial year		(17,637)	(11,734)
Loss per share (cents)			
From continuing operations attributable to equity owners of the Company – basic and diluted	9	(0.26)	(0.22)
From discontinued operations attributable to equity owners of the Company – basic and diluted	9	0.00	0.00

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Group	
	2017	**2016**
	$'000	**$'000**
Loss for the financial year	(17,637)	(11,734)
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences from foreign subsidiaries	(25)	(79)
Other comprehensive loss for the financial year	(25)	(79)
Total comprehensive loss for the financial year	(17,662)	(11,813)
Total comprehensive loss attributable to:		
Owners of the Company		
Loss from continuing operations, net of tax	(16,087)	(11,106)
Profit from discontinued operations, net of tax	50	245
	(16,037)	(10,861)
Non-controlling interests		
Loss from continuing operations, net of tax	(1,659)	(1,030)
Profit from discontinued operations, net of tax	34	78
	(1,625)	(952)
Total comprehensive loss for the financial year	(17,662)	(11,813)

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	Group 2017	Group 2016	Company 2017	Company 2016
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	456	164	387	97
Intangible assets	11	11,939	13,343	–	–
Subsidiaries	12	–	–	16,724	14,721
Associates	13	–	27	–	–
Joint ventures	14	–	19	–	280
Trade and other receivables	15	91	960	–	1,102
Other non-current assets	16	120	6,059	140	755
Total non-current assets		12,606	20,572	17,251	16,955
Current assets					
Inventories	17	–	71	–	–
Trade and other receivables	15	814	3,594	66	100
Other current assets	18	949	1,567	102	480
Cash and bank balances	19	20,165	5,343	19,547	4,520
Financial assets, available-for-sale	20	2,222	2,222	2,222	2,222
Total current assets		24,150	12,797	21,937	7,322
Total assets		36,756	33,369	39,188	24,277
EQUITY AND LIABILITIES					
Equity					
Share capital	21	37,140	154,474	37,140	154,474
Reserves		4,358	4,397	3,666	3,695
Accumulated losses		(12,879)	(132,438)	(14,661)	(135,302)
Equity attributable to owners of the Company		28,619	26,433	26,145	22,867
Non-controlling interests		(10,025)	(9,107)	–	–
Total equity		18,594	17,326	26,145	22,867
Non-current liabilities					
Accruals	23	–	761	–	176
Financial liabilities	24	12,018	470	12,018	470
Derivative instrument	25	–	21	–	–
Deferred tax liabilities	26	2,029	2,267	–	–
Total non-current liabilities		14,047	3,519	12,018	646
Current liabilities					
Trade and other payables	27	2,174	3,039	87	348
Accruals	23	1,222	2,000	923	383
Financial liabilities	24	15	6,963	15	33
Provisions and other liabilities	28	704	522	–	–
Total current liabilities		4,115	12,524	1,025	764
Total liabilities		18,162	16,043	13,043	1,410
Total equity and liabilities		36,756	33,369	39,188	24,277

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Share capital (Note 21) $'000	Equity component of convertible bonds $'000	Foreign currency translation reserve $'000	Share option reserve (Note (b)) $'000	Capital reserve (Note (c)) $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 1 July 2016	154,474	–	(34)	54	4,377	(132,438)	26,433	(9,107)	17,326
Total comprehensive loss									
Loss for the financial year	–	–	–	–	–	(16,029)	(16,029)	(1,608)	(17,637)
Other comprehensive loss									
Foreign currency translation differences from foreign subsidiaries (Note (a))	–	–	(7)	–	–	(1)	(8)	(17)	(25)
Realisation of foreign currency translation on liquidation of an associate	–	–	(3)	–	–	3	–	–	–
Total comprehensive loss for the financial year	–	–	(10)	–	–	(16,027)	(16,037)	(1,625)	(17,662)
Transactions with owners, recorded directly in equity									
Contribution by and distributions to owners									
Issue of shares:									
– Conversion of warrants to ordinary shares	6,509	–	–	–	–	–	6,509	–	6,509
– Private placements	10,932	–	–	–	–	–	10,932	–	10,932
– Private placement expense	(149)	–	–	–	–	–	(149)	–	(149)
	17,292	–	–	–	–	–	17,292	–	17,292
Others									
Capital reduction (Note 21)	(135,571)	–	–	–	–	135,571	–	–	–
Exercised share options	15	–	–	–	–	–	15	–	15
Equity conversion component of redeemable convertible bonds	–	82	–	–	–	–	82	–	82
Employee share-based payment expenses	–	–	–	834	–	–	834	–	834
Transfer on exercise of share options	–	–	–	(15)	–	15	–	–	–
Transfer on conversion from warrants to shares	930	–	–	–	(930)	–	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	–	707	707
	(134,626)	82	–	819	(930)	135,586	931	707	1,638
Balance as at 30 June 2017	37,140	82	(44)	873	3,447	(12,879)	28,619	(10,025)	18,594

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Share capital (Note 21) $'000	Foreign currency translation reserve $'000	Share option reserve (Note (b)) $'000	Capital reserve (Note (c)) $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 1 July 2015	154,474	22	75	1,773	(121,654)	34,690	(8,155)	26,535
Total comprehensive loss								
Loss for the financial year	–	–	–	–	(10,805)	(10,805)	(929)	(11,734)
Other comprehensive loss								
Foreign currency translation differences from foreign subsidiaries (Note (a))	–	(56)	–	–	–	(56)	(23)	(79)
Total comprehensive loss for the financial year	–	(56)	–	–	(10,805)	(10,861)	(952)	(11,813)
Transactions with owners, recorded directly in equity								
Contribution by and distributions to owners								
Issue of warrants	–	–	–	2,798	–	2,798	–	2,798
– Warrants issue expense	–	–	–	(194)	–	(194)	–	(194)
	–	–	–	2,604	–	2,604	–	2,604
Others								
Expiry of employee share options	–	–	(21)	–	21	–	–	–
	–	–	(21)	–	21	–	–	–
Balance as at 30 June 2016	154,474	(34)	54	4,377	(132,438)	26,433	(9,107)	17,326

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

(a) The foreign currency translation reserve comprises the foreign exchange differences arising from the translation if the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group.

(b) The share option reserve comprises the cumulative value of employee services received for the issue of share options.

(c) The capital reserve pertains to the following:

  (i) The excess of net assets over consideration paid arising from the acquisition of remaining interests in a subsidiary.

  (ii) The equity component of convertible loan.

  (iii) Debt waiver by a minority shareholder of the Company's subsidiary recognised directly in equity.

  (iv) Prepaid capital contribution relates to an irrevocable undertaking given by two shareholders to subscribe for their entitlements of the warrants issue announced on 26 May 2015.

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	2017 $'000	2016 $'000
Cash flows from operating activities		
Loss before income tax from continuing operations for the year	(17,959)	(12,296)
Profit before income tax from discontinued operations for the year	84	323
	(17,875)	(11,973)
Adjustments for:		
Interest expense	762	588
Interest income	(147)	(132)
Amortisation of intangible assets	1,404	1,404
Amortisation of prepayment for rights on use of plant and machinery	–	78
Depreciation of property, plant and equipment	88	83
Employee share-based payments expense	834	–
Gain on disposal of property, plant and equipment	(97)	–
Gain on disposal of joint ventures	(28)	–
Loss on disposal of a subsidiary	643	–
Loss on liquidation of an associate	4	–
Loss on waiver of debts	862	–
Impairment loss on other current assets	17	–
Impairment loss on prepayment for rights, interest in and ownership of granite	5,939	5,000
Impairment loss on trade and other receivables	2,591	2,472
Provision for legal liabilities (Note 28)	182	522
Reversal of long outstanding payables and overstated accruals	(28)	(699)
Reversal of fair value gain on derivative instrument recognised in previous years	89	–
Share of results of associates	–	1
Share of results of joint ventures	(27)	330
Write-off of property, plant and equipment	7	–
Exchange differences	(19)	(110)
Operating cash flows before working capital changes	(4,799)	(2,436)
Changes in working capital:		
Inventories	71	15
Trade and other receivables	103	(519)
Other current assets	273	129
Trade and other payables	(719)	(317)
Cash used in operations	(5,071)	(3,128)
Income tax paid	(1)	–
Net cash used in operating activities	(5,072)	(3,128)
Cash flows from investing activities		
Interest received	147	132
Purchase of property, plant and equipment (Note 10)	(354)	(10)
Proceeds from disposal of joint ventures	39	–
Proceeds from disposal of property, plant and equipment	161	–
Net cash outflows on disposal of a subsidiary, net of cash disposed (Note 12)	(114)	–
Net cash (used in)/from investing activities	(121)	122
Cash flows from financing activities		
Interest paid	(1,665)	(206)
Net proceeds from issuance of ordinary shares	10,783	–
Net proceeds from issuance of warrants	–	2,604
Proceeds from convertible bonds	12,000	–
Proceeds from exercise of share options	15	–
Proceeds from exercise of warrants	6,509	–
Repayment of finance lease	(122)	(67)
Repayment of loan to a third party	(385)	(680)
Repayment of borrowings	(115)	(183)
Repayment of convertible loan	(7,000)	–
Net cash from financing activities	20,020	1,468
Net increase/(decrease) in cash and cash equivalents	14,827	(1,538)
Effect of exchange rate changes on cash and cash equivalents	(5)	23
Cash and cash equivalents at beginning of financial year	5,282	6,797
Cash and cash equivalents at end of financial year (Note 19)	20,104	5,282

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

DISA Limited (formerly known as Equation Summit Limited) (the "Company") (Registration Number: 197501110N) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The principal place of business of the Company is located at 1001, Jalan Bukit Merah, #06-11, Singapore 159455. The address of its registered office is at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623.

The principal activities of the Company are those relating to an investment holding company. The principal activities of the subsidiaries are set out in Note 12 to the financial statements.

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 30 June 2017 were authorised for issue by the Board of Directors on 29 September 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are presented in Singapore dollar ("$" or "SGD") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("$'000"), unless otherwise indicated.

The preparation of financial statements in compliance with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3.

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the annual periods beginning on or after 1 July 2016. The adoption of these new or revised FRS and INT FRS did not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS, INT FRS and amendments to FRS were issued but not yet effective:

	Description	Effective date (annual periods beginning on or after)
FRS 7	Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
FRS 12	Amendments to FRS 12: Recognition of Deferred Tax *Assets for Unrealised Losses*	1 January 2017
FRS 40	Amendments to FRS 40: *Transfers of Investment Property*	1 January 2018
FRS 102	Amendments to FRS 102: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
FRS 104	Amendments to FRS 104: *Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts*	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 110, 28	Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
FRS 115	*Revenue from Contracts with Customers*	1 January 2018
FRS 115	Amendments to FRS 115: *Effective Date of FRS 115*	1 January 2018
FRS 115	Amendments to FRS 115: *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 116	Leases	1 January 2019
Various	Improvements to FRSs (December 2016)	Various
INT FRS 122	Foreign Currency Transactions and Advance Consideration	1 January 2018

Consequential amendments were also made to various standards as a result of these new or revised standards.

The Group and the Company have not early adopted any of the above new or revised standards, interpretations and amendments to the existing standards in the financial year ended 30 June 2016. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's and the Company's significant accounting policies and presentation of the financial information will result.

FRS 109 *Financial Instruments*

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are classified into financial assets measured at (i) fair value through profit or loss; (ii) amortised cost; or (iii) fair value through other comprehensive income, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, or as otherwise designated as such upon initial recognition, if allowed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 109 *Financial Instruments (Continued)*

Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the entity will have a choice to recognise the gains and losses in other comprehensive income if the financial assets are measured at fair value through other comprehensive income.

There have been no changes in the de-recognition requirements of financial assets and liabilities, nor the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch.

A new forward-looking impairment model based on expected credit losses, which replaces the incurred loss model in FRS 39, determines the recognition of impairment provisions as well as interest revenue. An entity will recognise (at a minimum of) 12 months of expected credit losses in profit or loss for financial assets measured at amortised cost or fair value through other comprehensive income, unless in the circumstance when there is a significant increase in credit risk after initial recognition which requires the entity to recognised lifetime expected credit losses on the affected assets.

The Group is still assessing the potential impact of FRS 109 on its financial statements in the initial year of adoption.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 supersedes FRS 11 *Construction contracts*, FRS 18 *Revenue*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services* to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Entities are required to adopt a five-step model which requires (i) their identification of the contract; (ii) their identification of the performance obligations in the contract; (iii) the determination of; (iv) allocation of the transaction price; and (v) recognition of revenue when (i.e. at a point in time) or as (i.e. over time) each performance obligation is satisfied.

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services.

The Group is still assessing the potential impact of FRS 115 on its financial statements in the initial year of adoption.

FRS 116 *Leases*

FRS 116 supersedes FRS 17 Lease, INT FRS 104 Determining whether an Arrangement contains a Lease, INT FRS 15 Operating Leases – Incentives, and INT FRS 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease to set out the principles for the recognition, measurement, presentation and disclosure of leases. The changes introduced by FRS 116 will primarily affect the financial statements of the lessees.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.1 **Basis of preparation** (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 116 *Leases* *(Continued)*

FRS 116 requires, with limited exceptions, the lessee to recognise, at initial recognition, lease liabilities, measured at the present value of lease payments that are not paid as of that date to reflect the present value of the future lease payments, and right-of-use assets at cost, comprising elements including the amount of the initial measurement of the lease liabilities, initial direct costs incurred by the lessee and estimates of other contracted costs to be incurred by the lessee, for its lease contracts.

The Group is still assessing the potential impact of FRS 116 on its financial statements in the initial year of adoption.

2.2 **Basis of consolidation**

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstance indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group assets and liabilities, equity, income, expenses and cash flows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-Based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; is able to reliably measure the amount of revenue and the costs incurred or to be incurred in respect of the transaction; and assesses that it is probable for the economic benefits associated with the transaction to flow to the entity.

Rendering of services

Revenue that is billed in advance of the services being rendered is deferred and reflected as advance billings.

Revenue from the provision of consultancy services in relation to information technology and business management is recognised upon the agreed stages of completion and delivery of the service to the customers. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue from the provision of installation services is recognised in profit or loss upon completion of the transaction at the reporting date. Revenue is recognised when the significant risks and rewards of installation have been transferred to the customer, recovery of the consideration is probable, the associated costs can be estimated reliably and the amount of revenue can be measured reliably.

Rental income

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.6 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.7 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

2.8 Share-based payments

The Group operates two equity-settled share-based compensation schemes, which are share option and performance share plans. The schemes allow the Group's directors and employees to be rewarded with shares of the Company.

Share option plan

The fair value of employee services received in exchange for the grant of options is recognised as an employee expense to profit or loss with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period of the options during which the employees become unconditionally entitled to the options.

At each reporting date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transactions costs are credited to share capital when the options are exercised.

Performance share plan

The fair value of employee services received in exchange for the grant of the awards is recognised as an employee expense to profit or loss with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period of the awards during which the employees become unconditionally entitled to it.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Share-based payments (Continued)

Performance share plan (Continued)

The expense recognised in profit or loss at each reporting date reflects the manner in which the benefits will accrue to employees under the share plan over the vesting period. The change in profit or loss for a financial period represents the movement in cumulative expense recognised as at the beginning and end of the financial period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

2.9 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred Tax

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Income tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when they relate to items recognised outside profit and loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination.

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

2.10 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditures relating to property, plant and equipment is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of item can be measured reliably. All other repairs and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Plant, equipment and machinery	5 to 7 years
Furniture and fittings and renovation	5 to 7 years
Other equipment	3 to 6 years
Motor vehicles	5 to 6 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of property, plant and equipment is recognised in profit or loss.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2.12 Club membership

Club membership is stated at cost less accumulated impairment losses.

2.13 Intangible assets

<u>Intangible assets acquired in a business combination</u>

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Intangible assets (Continued)

Intangible assets acquired in a business combination (Continued)

The useful lives of intangible assets are assessed as finite. Intangible assets are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

(i) ***Core technology***

The core technology was acquired in a business combination.

(ii) ***Development costs***

Development costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives are as follows:

Core technology	16 years
Development costs	5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

2.14 Investments in associates

An associate is an entity over which the Group has significant influence, being the power to participate in the financial and operating policy decisions of the entity but is not control or of joint control of these policies, and generally accompanying a shareholding of between 20% and 50% of the voting rights.

On acquisition of the associate, any excess of the cost of the investment over the Group's share of the net fair value of the associate identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the reporting period in which the investment is acquired. Investments in associates are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Investments in associates (Continued)

The results and assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss of individual investments. The Group's share of losses in an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The Company has accounted for its investment in associates at cost in its separate financial statements.

2.15 Investments in joint ventures

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as a joint operation or a joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only decisions about the relevant activities require unanimous consent of the parties sharing control.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill and is included in the carrying amount of the investment. Any excess of the Group's net fair value of the joint venture's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the joint venture's profit or loss in the reporting period in which the investment is acquired.

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, from the date on which the investees become a joint venture. Under the equity method, investments in joint ventures are carried at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any accumulated losses of individual investments. The Group's share of losses in a joint venture in excess of the Group's interest in that joint venture (which includes any long term interests that, in substance, form part of the Group's net investment in the joint venture) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures. Distributions received from the joint venture reduce the carrying amount of the investment.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The Company has accounted for its investments in joint ventures at cost in its separate financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of tangible and intangible assets

The Group reviews the carrying amounts of its tangible and intangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior financial years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.17 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are recognised on a trade date – the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

The Group's loans and receivables comprise trade and other receivables, other assets (excluding prepayments) and cash and bank balances.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. Loan and receivables are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets ("AFS")

Certain equity instruments and debt securities held by the Group are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, with the exception of unquoted equity instruments that are not carried at fair value as the fair value cannot be reliably measured, AFS are measured at fair value and changes therein are recognised directly in the available-for-sale reserve with the exception of impairment losses, interests calculated using the effective interest method and foreign exchange gains and losses arising from monetary items. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in profit or loss for the financial year.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Convertible bonds

Convertible bonds are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement.

The liability component of bonds is recognised initially at the fair value of a similar non-convertible liability. The carrying amount of the equity component is then determined by deducting the fair value of the liability component from the fair value of the compound financial instrument as a whole.

Any directly attributable transaction costs are allocated to the liability and equity portion in proportion to their initial carrying amounts.

Subsequent to the initial measurement, the liability component of the bonds is measured at amortised cost using the effective interest method until its extinguishment upon conversion, redemption or at the maturity date. The equity component remains as equity, net of income tax effects, but may be transferred within equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Other financial liabilities

Trade and other payables

Trade and other payables, amount due to a subsidiary and finance lease payables and other liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy (see above).

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial instruments (Continued)

Derivative financial instruments

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Offsetting of financial instruments

A financial asset and a financial liability shall be offset and the net amount presented in the statements of financial position when and only when, an entity:

(a) currently has a legally enforceable right to set-off the recognised amounts; and

(b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.18 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in first-out principle and includes all costs of raw materials, direct labour and other direct costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.19 Other non-current assets

Other non-current assets comprise mainly of prepayment of rights, interest in and ownership of granite and the rights on the use of plant and machinery. The prepayment of rights, interest in and ownership of granite is amortised proportionately based on the quantity of the granite sold during the period over the estimated granite reserve. The rights on the use of plant and machinery are amortised over a straight-line basis over their estimated useful lives of 7 years, from the date on which they are available for use.

2.20 Cash and bank balances

Cash and bank balances comprise cash on hand and demand deposits with financial institutions and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and bank balances exclude deposits pledged with the financial institutions as collateral and which form an integral part of the Group's cash management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognised as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating leases

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which it is incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using a pre-tax discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as it arises.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

2.24 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

2.25 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grant related to income is presented as a credit in profit or loss under "Other income".

2.26 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Management makes decision about resources to be allocated to the segment and assess its performance. Segment managers report directly to the management of the Group.

2.27 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statements of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly, including any director (whether executive or otherwise) of that company.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

3.1 Critical judgements made in applying the Group's accounting policies

Determination of functional currency

The Group translates foreign currency items into the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities, judgement is used by the Group to determine the currency of the primary economic environment in which the respective entities operate. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.1 Critical judgements made in applying the Group's accounting policies (Continued)

Impairment of available-for-sale equity instrument

At the end of each financial year, an assessment is made on whether there is objective evidence that the available-for-sale equity instrument are impaired. A significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. Judgement is used in determining what a significant or prolonged decline is. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. Refer to Note 20 to the financial statements.

Determination of control over subsidiaries

The directors of the Company assessed whether or not the Group has control over its subsidiaries based on whether the Group has the practical ability to direct the relevant activities of its subsidiaries unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in its subsidiaries and the relative size of and dispersion of the shareholdings owned by the other shareholders in accordance with FRS 110 *Consolidated Financial Statements*. Not just that, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of its subsidiaries and therefore the Group has control over its subsidiaries. The definition of control is defined in Note 2.2.

3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of intangible assets

The fair value of the core technology acquired in a business combination was based on the Multi-Period Excess Earnings Method ("MPEEM") which aims at measuring the excess earnings attributable to the intangible asset. Economic charges reflecting the use of contributory assets are then subtracted to arrive at excess earnings attributable to the intangible asset. The value of the intangible asset is the present value of the excess earnings after taxes discounted by an appropriate risk adjusted discount rate. The carrying amount of the Group's intangible assets at the end of the reporting period is disclosed in Note 11.

Determining whether intangible assets are impaired requires an estimation of their recoverable amounts. The intangible assets are in respect of core technology (including asset protection technology) and development costs which have collectively been determined as a CGU (under the Technology segment). The recoverable amounts of the CGU was based on its value-in-use, the determination of such values in use involve significant use of estimates and assumptions by management. These estimates and assumptions including a sensitivity analysis are disclosed and further explained in Note 11.

Impairment of other non-current assets

The Group assesses at each reporting date whether there is an indication that the prepayment for rights, interest in and ownership of granite may be impaired. Where an indication of impairment exists, recoverable value is assessed based on an estimation of the value in use of the prepayment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the selling of granite and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

Impairment of other non-current assets (Continued)

As disclosed in Note 16, the Group is in the process of preparation to file Petition against KDH before the Commercial Court at Medan District Court. The directors of the Company have taken the view that to recover the carrying value of the prepayment is very unlikely. As a result, an impairment loss of the Group's other non-current assets amounted to approximately $5,939,000 (2016: $5,000,000) as at the end of the reporting period have been made and disclosed in Note 16 to the financial statements. Further details of the carrying amount of the prepayment at the end of the reporting period are disclosed in Note 16 to the financial statements.

Impairment of investments in subsidiaries, joint ventures and associates

At the end of each financial year, an assessment is made on whether there are indicators that the Company's investments are impaired. Where necessary, the Company's and Group's assessments are based on the estimation of the value-in-use of the assets defined in FRS 36 *Impairment of Assets* by forecasting the expected future cash flows for a period of up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The estimates and assumptions are disclosed and further explained in Note 11. The carrying amount of the Company's investments in subsidiaries as at 30 June 2017 was $16,724,000 (2016: $14,721,000) (Note 12). The carrying amounts of the Group's and the Company's investments in joint ventures and associates as of 30 June 2017 are set out in Notes 14 and 13 respectively.

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life.

Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Group's property, plant and equipment as at 30 June 2017 was $456,000 (2016: $164,000) (Note 10).

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

Impairment of loans and receivables (Continued)

As disclosed in Note 15, the Group do not expect to recover $2,434,000 (2016: $2,434,000) through the enforcement of proceedings of the arbitral award. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The case and claim against the receivable often raise difficult and complex factual and legal issues that are subject to many uncertainties and complexities. In the normal course of business, the Group consults with solicitors on matters related to litigation.

To the extent that the Group's assessment at any time do not reflect subsequent developments or the eventual outcome of any claim against the receivable, its future financial statements may be materially affected, with a favourable or adverse impact upon the Group's operating profit, financial position and liquidity. Further details of the carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 15 and Note 18 to the financial statements.

Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amount of the Group's current tax payable as at 30 June 2017 was $Nil (2016: $Nil).

4. OTHER INCOME

	Group	
	2017	**2016**
	$'000	**$'000**
		(Restated)
Gain on disposal of property, plant and equipment	23	–
Gain on disposal of joint ventures	28	–
Grants received from government	9	15
Interest income from banks	46	28
Interest income from a joint venture party	56	37
Interest income from a related party	8	13
Interest income from third parties	37	54
Rental income from third parties	201	668
Proceeds from liquidation of a subsidiary from prior year	–	149
Usage of facilities from related parties	56	76
Write-off of payables and overstated accruals	28	533
Miscellaneous income	44	–
	536	1,573

5. EMPLOYEE BENEFITS EXPENSES

	Group	
	2017 $'000	2016 $'000
		(Restated)
Salaries and bonuses	2,404	1,692
Central Provident Fund	181	138
Share-based payments (Employee share options plans)	834	–
Other short-term benefits	126	108
	3,545	1,938

6. FINANCE COSTS

	Group	
	2017 $'000	2016 $'000
Interest expenses on:		
– bank borrowings	3	20
– convertible bonds	556	–
– convertible loan	192	541
– finance lease liabilities	5	7
– others	6	20
	762	588

7. LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS

The following charges/(credits) were included in the determination of loss before income tax from continuing operations:

	Group	
	2017 $'000	2016 $'000
Audit fees paid/payable to: *		
– auditors of the Company	56	65
– other auditors	–	10
Amortisation of intangible assets	1,404	1,404
Amortisation of prepayment for rights on use of plant and machinery	–	78
Depreciation of property, plant and equipment	75	64
Directors' remuneration	781	195
Directors' fees *	295	213
Employee share-based payments expense	834	–
Gain on disposal of joint ventures	(28)	–
Gain on disposal of property, plant and equipment	(23)	–
Impairment losses:		
– impairment loss on other current assets	17	–
– impairment loss on prepayment for rights, interest in and ownership of granite	5,939	5,000
– impairment loss on trade and other receivables	2,591	2,442
	8,547	7,442
Legal and professional expenses	820	249
Provision for legal liabilities	182	522
Research and development expense *	72	9
Foreign exchange gain, net *	(21)	(67)

* Included in "other expenses"

8. INCOME TAX CREDIT

	Group 2017 $'000	Group 2016 $'000
Continuing Operations		
Deferred tax expense		
Reversal and origination of temporary differences	(238)	(239)
	(238)	(239)

The Company is incorporated in Singapore and accordingly is subject to income tax rate of 17% (2016: 17%). Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. There were no changes in the enterprise income tax of the difference applicable jurisdictions in the current financial year from the last financial year.

Reconciliation of effective tax rate is as follows:

	Group 2017 $'000	Group 2016 $'000
Loss before income tax from continuing operations	(17,959)	(12,296)
Profit before income tax from discontinued operations	84	323
	(17,875)	(11,973)
Tax credit at statutory rates	(3,039)	(2,035)
Tax effect of:		
Effect of different tax rates in other countries	(17)	(24)
Expenses not deductible for tax purposes	2,040	1,575
Income not subject to tax	(10)	(175)
Deferred tax assets not recognised	788	450
Utilisation of deferred tax assets not previously recognised	–	(30)
	(238)	(239)

During the financial year, in relation to the Singapore Group Relief system, the Group utilised tax losses of $334,000 (2016: $473,000) to set off the assessable income of certain companies within the Group. The Group has unutilised tax losses and unabsorbed capital allowances of approximately $47,227,000 (2016: $47,753,000) and $14,812,000 (2016: $17,582,000) respectively, that are available for offset against future taxable profits of the companies in which these arose for which no deferred tax asset is recognised due to the uncertainty of its recoverability. There is no expiry date for the Group to use these tax losses, which are subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. During the financial year, the Group has disposed of its subsidiary, Equation Recycling Pte. Ltd., which its unutilised losses and unabsorbed capital allowances of $5,159,000 and $2,774,000 respectively, have been disregarded upon substantial change in shareholders of the Company.

9. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the loss and share data used in the computation of basic and diluted loss per share for the financial year ended 30 June:

	Group	
	2017	**2016**
	$'000	**$'000**
Basic and diluted loss per share is based on:		
Net loss attributable to ordinary shareholders	(16,079)	(11,050)
Less: Profit from discontinued operations, net of tax, attributable to owners of the Company	50	245
Loss from continuing operations, net of tax, attributable to owners of the Company	(16,029)	(10,805)

	No. of Shares	
	'000	**'000**
Issued ordinary shares as at 1 July	5,113,730	4,988,798
Effect of ordinary shares issued	1,040,947	124,932
Weighted average number of ordinary shares as at 30 June	6,154,677	5,113,730

For the purpose of calculation of the diluted loss per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options, with the potential ordinary shares weighted for the period outstanding. As the effect is anti-dilutive, the diluted loss per share is the same as the basic earnings per share.

For the financial year ended 30 June 2017, the option of conversion into shares of the Company under the Redeemable Convertible Bonds agreement (Note 24(b)) has not been included in the calculation of diluted loss per share because they are anti-dilutive for the current financial year presented.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Plant, equipment and machinery $'000	Furniture and fittings and renovation $'000	Other equipment $'000	Motor vehicles $'000	Total $'000
Cost					
Balance as at 1 July 2015	5,959	787	189	649	7,584
Additions	–	–	10	–	10
Write-offs	–	(64)	(8)	–	(72)
Balance as at 30 June 2016 and 1 July 2016	5,959	723	191	649	7,522
Translation differences on consolidation	–	1	–	–	1
Additions	–	40	34	400	474
Disposals	(40)	–	(6)	(378)	(424)
Disposal of a subsidiary (Note 12)	(217)	(15)	(2)	–	(234)
Write-offs	(5,702)	(516)	(77)	–	(6,295)
Balance as at 30 June 2017	–	233	140	671	1,044
Accumulated depreciation					
Balance as at 1 July 2015	5,923	759	158	507	7,347
Depreciation for the year	7	15	13	48	83
Write-offs	–	(68)	(4)	–	(72)
Balance as at 30 June 2016 and 1 July 2016	5,930	706	167	555	7,358
Translation differences on consolidation	–	(1)	–	–	(1)
Depreciation for the year	7	18	12	51	88
Disposals	(40)	–	(5)	(315)	(360)
Disposal of a subsidiary (Note 12)	(195)	(12)	(2)	–	(209)
Write-offs	(5,702)	(516)	(70)	–	(6,288)
Balance as at 30 June 2017	–	195	102	291	588
Net carrying amount					
Balance as at 30 June 2016	29	17	24	94	164
Balance as at 30 June 2017	–	38	38	380	456

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Furniture and fittings $'000	Other equipment $'000	Motor vehicles $'000	Total $'000
Cost				
Balance as at 1 July 2015	559	89	482	1,130
Additions	–	6	–	6
Write-off	–	(3)	–	(3)
Balance as at 30 June 2016 and 1 July 2016	559	92	482	1,133
Additions	2	–	400	402
Disposals	–	–	(211)	(211)
Write-offs	(498)	(43)	–	(541)
Balance as at 30 June 2017	63	49	671	783
Accumulated depreciation				
Balance as at 1 July 2015	553	79	355	987
Depreciation for the year	3	7	42	52
Write-off	–	(3)	–	(3)
Balance as at 30 June 2016 and 1 July 2016	556	83	397	1,036
Depreciation for the year	2	5	52	59
Disposals	–	–	(158)	(158)
Write-offs	(498)	(43)	–	(541)
Balance as at 30 June 2017	60	45	291	396
Net carrying amount				
Balance as at 30 June 2016	3	9	85	97
Balance as at 30 June 2017	3	4	380	387

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $474,000 (2016: $Nil) of which $120,000 (2016: $Nil) was acquired by means of finance leases. Cash payments of $354,000 (2016: $10,000) were made to purchase property, plant and equipment.

Assets held under finance lease

The carrying amount of the motor vehicle held under finance lease of the Group as at 30 June 2017 amounted to $380,000 (2016: $85,000).

Assets held in trust

A motor vehicle with carrying amount of $380,000 (2016: $85,000) is held in trust by a director of the Company.

11. INTANGIBLE ASSETS

Group	Core technology $'000	Development costs $'000	Total $'000
Cost			
Balance as at 30 June 2016, 1 July 2016 and 30 June 2017	31,624	609	32,233
Accumulated amortisation			
Balance as at 1 July 2015	16,877	609	17,486
Amortisation for the year	1,404	–	1,404
Balance as at 30 June 2016 and 1 July 2016	18,281	609	18,890
Amortisation for the year	1,404	–	1,404
Balance as at 30 June 2017	19,685	609	20,294
Net carrying amount			
Balance as at 30 June 2016	13,343	–	13,343
Balance as at 30 June 2017	11,939	–	11,939

The amortisation charge for the Group for the financial year has been charged to depreciation and amortisation expenses in the consolidated profit or loss and other comprehensive income.

Impairment testing of core technology and development costs

The intangible assets are in respect of core technology (including asset protection technology) and development costs which have collectively been determined as a Cash Generating Unit ("CGU") (under the Technology segment). The recoverable amounts of the CGU were based on its value-in-use, which is the net present value of expected future cash flows over a period of 9 years (2016: 10 years) (i.e. remaining life of the patent) from the financial year ending 30 June 2018 ("FY2018") to the financial year ending 30 June 2026 ("FY2026"). The key assumptions for the computation of value in use include the following:

	United States ("US") Market		Germany and European Market	
	2017	**2016**	**2017**	**2016**
Growth rate	5%	5%	5%	3%
Discount rate	33%	33%	33%	33%
Cash flow projection	9 years	10 years	9 years	10 years

Revenue

Revenue projections comprise sale of encrypted codes to product manufacturers. It also takes into account of the United States, Germany and European market size, market penetration and product growth in each of the regions together with the unit prices charged for encrypted codes. The commencement of revenue generation is expected in FY2020 for both Germany and European market.

Potential customers account for 16.3% of the US market in FY2018 and 20% for the Germany and European market in FY2020.

11. INTANGIBLE ASSETS (CONTINUED)

Revenue (Continued)

Germany and European market penetration are assumed to be 1% in FY2020 and are assumed to increase progressively to 7% (2016: 1% in FY2017 and increase progressively to 6%) by financial year 2026. US market penetration into the potential customers is assumed to be 1% in FY2018 and is assumed to increase progressively to 7% (2016: 1% in FY2017 and increase progressively to 4%) by financial year 2026.

Germany and European product growth rate are forecasted at 5% per annum in financial year 2020 and are expected to reduce progressively to 3% in FY2024 onwards. US product growth rate is forecasted at 5% per annum in FY2018 and is expected to reduce progressively to 3% in FY2023 onwards.

Costs

Management has projected staff, warranty, maintenance service, research and development costs and operation overheads for the various locations.

Warranty cost is projected based on 0.5% of total revenue and research and development cost is projected based on 2% of total revenue throughout the 10 years.

Discount rate

Applied discount rate is at 33% taking into account the risks inherent in an intangible asset.

Sensitivity to changes in assumptions

With regards to the assessment of value in use for the intangible assets, management believes that no reasonably possible changes in any of the above key assumptions would cause the value in use to be materially less than the carrying value of the CGU.

For asset protection technology, management recognises that a decrease in potential customers' share of the Germany, European and US markets is expected to have an adverse impact on revenue assumptions. A reduction of 5% (2016: 5%) in each market would result in an impairment of $1,690,000 (2016: $670,000).

12. SUBSIDIARIES

	Company	
	2017	**2016**
	$'000	**$'000**
Equity investments at cost	44,477	37,137
Impairment losses	(27,753)	(22,416)
	16,724	14,721

Determining whether investments in subsidiaries are impaired requires an estimation of the recoverable amount of the subsidiaries. Such recoverable amounts are estimated based on the values in use of the subsidiaries. The value-in-use of the Company's investments in certain subsidiaries has been determined based on valuation models which assume that the principal activities of these subsidiaries will be capable of generating future profitability and growth in the business of these activities. The value-in-use of these investments is dependent on the ability of the entities to realise this assumption.

12. SUBSIDIARIES (CONTINUED)

Included in the net carrying amount of investment in subsidiaries is the net investment in Disa Digital Safety Pte. Ltd. ("DDSPL") of $16,724,000 (2016: $14,200,000) and DDSPL owns the core technology. The sensitivity to change in the assumption of the value-in-use calculation of the core technology is explained in Note 11.

An impairment assessment was conducted on the recoverable amounts of the Company's investment in these subsidiaries. The recoverable amounts of the subsidiaries were determined based on the value in use calculation using cash flow projections and applying discount rates of 33% (2016: 9% to 33%). Based on the calculation, the carrying amounts of the Company's investments in certain subsidiaries were determined to be higher than their recoverable amounts and an impairment loss of $9,000,000 (2016: $4,085,000) was recognised in the financial year.

The change in impairment losses in respect of investments in subsidiaries are as follows:

	Company	
	2017	**2016**
	$'000	**$'000**
Balance as at 1 July	22,416	18,331
Charge to profit or loss	9,000	4,085
Disposal	(3,663)	–
Balance as at 30 June	27,753	22,416

The details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of business/ Country of incorporation	Effective equity holding 2017 %	Effective equity holding 2016 %
Held by the Company				
Disa Digital Safety Pte. Ltd.[(a)]	Trading in consumer and electronic products and the provision of industrial design services	Singapore	100	100
Equation Energy Pte. Ltd.[(a)]	Provide energy audit and management, marketing of environmental-friendly systems	Singapore	70	70
Equation Recycling Pte. Ltd.[(c)]	Recycling and trading of scrap metals and electronic waste products	Singapore	–	60
Equation Resources Pte. Ltd.[(a)]	Supply and trading of construction materials	Singapore	81.6	81.6

12. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Place of business/ Country of incorporation	Effective equity holding 2017 %	Effective equity holding 2016 %
Held by Disa Digital Safety Pte. Ltd.				
Disa Digital Safety GmbH[(b)]	Sales, distribution, marketing and development of digital security systems, general commercial and technical consultancy	Germany	66.1	66.1
Disa Digital Safety Limited *(formerly known as Ternary Technologies Limited)*[(b)]	Trading of electronic consumer parts	British Virgin Islands	100	100
QuickCheck Technology Limited[(b)]	Investment holding	Samoa	77.5	77.5
QuickCheck Group Limited[(b)]	Investment holding	Cayman Islands	100	100
Disa Digital Safety (Shenzhen) Limited *(formerly known as Ternary Technologies (Shenzhen) Limited)*[(b)]	Trading of electronic products, research and development and market promotion	China	100	100
Disa Digital Safety (USA)[(d)]	Provision of anti-theft solutions	United States	100	–
Held by QuickCheck Technology Limited				
迅检码科技(深圳)有限公司[(b)]	Marketing and distribution of anti-counterfeiting solution	China	77.5	77.5
Held by 迅检码科技(深圳)有限公司				
深圳迅检文化传播有限公司[(b)(e)]	Advertising and provision of anti-counterfeiting solution	China	69.8	69.8

(a) Audited by Mazars LLP, Singapore.

(b) Statutory audit is not required in the country of incorporation.

(c) The disposal was completed during this financial year ended 30 June 2017.

(d) Incorporated during this financial year ended 30 June 2017.

(e) 深圳迅检文化传播有限公司 has been deregistered on 7 September 2017.

12. SUBSIDIARIES (CONTINUED)

(a) Increase of share capital in subsidiaries

(i) On 2 February 2017, DDSPL has increased its cost of investment from US$208,000 (equivalent to $278,000) to US$308,000 (equivalent to $421,000) through cash consideration of US$100,000 (equivalent to $143,000) in a wholly owned subsidiary, Disa Digital Safety (Shenzhen) Limited (formerly known as Ternary Technologies (Shenzhen) Limited).

(ii) On 25 January 2017, the Company has increased its cost of investment in a wholly-owned subsidiary of the Company, DDSPL from $20,824,000 to $32,324,000 through the capitalisation of the loan and accrued interest owed by DDSPL of $7,857,000 and cash consideration of $3,643,000.

(iii) On 8 March 2016, DDSPL has increased its cost of investment from US$205,000 (equivalent to $274,000) to US$208,000 (equivalent to $278,000) through cash consideration of US$3,000 (equivalent to $4,000) in a wholly-owned subsidiary, Disa Digital Safety (Shenzhen) Limited (formerly known as Ternary Technologies (Shenzhen) Limited).

Disposal of a subsidiary and discontinued operations

As announced on 1 June 2017, the board of directors of the Company had decided to dispose of its 60% owned subsidiary of the Company, Equation Recycling Pte. Ltd. ("ERC"), at a consideration of $1 in cash. The completion date of disposal was on 23 June 2017. Upon the completion of the disposal, ERC ceased to be a subsidiary of the Company.

The effect of the disposal of ERC on the financial position of the Group is as follows:

	2017 **$'000**
Property, plant and equipment	25
Trade and other receivables	121
Other current assets	315
Cash and bank balances	114
Trade and other payables	(633)
Accruals	(6)
Total liabilities derecognised	(64)
Less: Non-controlling interests	707
Net assets derecognised	643
Loss on disposal of a subsidiary	(643)
Proceeds from disposal of a subsidiary	–*
Less: Cash and cash equivalents	(114)
Net cash outflows on disposal	(114)

* denotes an amount less than $1,000

ERC represents main reportable segment for recycling of the Group. The disposal of ERC meets the criteria for the classification as discontinued operations. Accordingly, the result of operations for the financial year ended 30 June 2017 is presented separately on the income statement as "profit from discontinued operations, net of tax".

12. SUBSIDIARIES (CONTINUED)

Disposal of a subsidiary and discontinued operations (Continued)

The results of the discontinued operations for the financial year ended 30 June are as follow:

	2017 $'000	2016 $'000
Revenue		
Sale of goods	157	387
Other income	1,190	1,478
Total revenue	1,347	1,865
Cost and expenses		
Cost of goods sold	(123)	(150)
Depreciation of property, plant and equipment	(13)	(19)
Employee benefits expenses	(115)	(276)
Impairment losses	–	(30)
Legal and professional fees	(5)	(26)
Write-off of property, plant and equipment	(7)	–
Operating lease expenses	(925)	(975)
Other expenses	(75)	(66)
Total expenses	(1,263)	(1,542)
Profit before income tax from discontinued operations	84	323
Income tax expense	–	–
Profit from discontinued operations, net of tax	84	323

Profit from discontinued operations is arrived at after charging/(crediting):

	2017 $'000	2016 $'000
Gain on disposal of property, plant and equipment	(74)	–
Foreign exchange loss/(gain), net	3	(4)

Discontinued operations

The cash flows attributable to the discontinued operations for the financial year ended 30 June are as follow:

	2017 $'000	2016 $'000
	Generated from/ (used in)	Generated from/ (used in)
Operating cash flows	31	(67)
Financing cash flows	(73)	49

12. SUBSIDIARIES (CONTINUED)

Interest in subsidiary with material non-controlling interests ("NCI")

The following subsidiary has NCI which is material to the Group:

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Loss allocated to NCI $'000	Accumulated NCI $'000	Dividends paid to NCI $'000
30 June 2017					
Equation Resources Pte. Ltd.	Singapore	18.4%	(1,597)	(9,740)	–
30 June 2016					
Equation Resources Pte. Ltd.	Singapore	18.4%	(1,009)	(8,144)	–

There are no significant restrictions on the Group's ability to access or use the assets or to settle the liabilities of the Group.

Summarised financial information about subsidiary with material NCI

Summarised financial information including consolidation adjustments but before intercompany eliminations of a subsidiary with material NCI is as follows:

	2017 $'000	2016 $'000
Current		
Assets	1,031	3,476
Liabilities	(46,272)	(45,529)
Net current liabilities	(45,241)	(42,053)
Non-current		
Assets	–	5,939
Liabilities	–	–
Net non-current assets	–	5,939
Net liabilities	(45,241)	(36,114)

Summarised statement of profit or loss and other comprehensive income

	2017 $'000	2016 $'000
Loss for the financial year	(9,127)	(5,482)
Total comprehensive loss for the financial year	(9,127)	(5,482)

12. SUBSIDIARIES (CONTINUED)

Interest in subsidiary with material non-controlling interests ("NCI") (Continued)

Other summarised information

	2017 $'000	2016 $'000
Net cash flows used in operating activities	(124)	(25)

13. ASSOCIATES

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Equity investments at cost	–	26	–	–
Share of post-acquisition reserve	–	(2)	–	–
Impairment losses	–	–	–	–
Exchange differences	–	3	–	–
	–	27	–	–

The details of the associates are as follows:

Name of associate	Principal activities	Place of business/ Country of incorporation business	Effective equity holding 2017 %	Effective equity holding 2016 %
Siam Pattana Equation Co., Ltd.[(a)]	Dormant	Thailand	–	49.0
United Digital Technology Pte. Limited[(b)]	Dormant	Hong Kong	–	33.3

(a) On 23 June 2017, Siam Pattana Equation Co., Ltd has been disposed following the disposal of subsidiary, Equation Recycling Pte. Ltd. ("ERC").

(b) On 10 March 2017, United Digital Technology Pte. Limited has been deregistered from the Companies Registry in Hong Kong.

In September 2009, ERC, a 60% owned subsidiary of the Company, entered into an agreement with Sing Siam Steel Service Co., Ltd. ("Sing Siam"), a company incorporated under the laws of Thailand for setting up a company. ERC and Sing Siam incorporated a company, Siam Pattana Equation Co., Ltd. ("SPE"), under the laws of Thailand. SPE shall be engaged in the business of screening, transforming, producing, selling and trading of industrial objects leftover from manufacturing processes such as copper sand, laminated board, stainless steel, and related products as well as any other recyclable products.

13. ASSOCIATES (CONTINUED)

The change in impairment losses in respect of investments in associates is as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Balance as at 1 July	–	13	–	13
Write-off	–	(13)	–	(13)
Balance as at 30 June	–	–	–	–

The summarised financial information of the above associates as at 30 June presented below is not adjusted for the proportion of ownership interest held by the Group (based on its FRS financial statements).

	2017	2016
	$'000	$'000
Assets and liabilities:		
Non-current assets	–	–
Current assets	–	80
Total assets	–	80
Current liabilities	–	–
Total liabilities	–	–
Results:		
Revenue	–	–
Loss for the financial year	–	(4)

Aggregate information about the Group's investments in associates that are not individually material is as follows:

	2017	2016
	$'000	$'000
Revenue	–	–
Loss for the financial year	–	(4)
Total comprehensive loss for the financial year	–	(4)

14. JOINT VENTURES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Equity investments at cost	280	280	280	280
Disposal	(265)	–	(265)	–
Share of post-acquisition reserve	–	(261)	–	–
Write-off	(15)	–	(15)	–
	–	19	–	280

14. JOINT VENTURES (CONTINUED)

Details of the joint ventures are as follows:

Name of joint venture	Principal activities	Place of business/ Country of business	Effective equity holding 2017 %	Effective equity holding 2016 %
Aquarius Tech Pte. Ltd.[(a)]	Research and development of software and hardware, wireless technology and electronic products	Singapore	–	50
Citrine Solution Pte. Ltd.	Research and development of software and hardware	Singapore	–	50
Citrine System (S) Pte. Ltd. (formerly known as Citrine Wireless Pte. Ltd.)	Research and development of software and hardware, wireless technology and electronic products	Singapore	–	50
Held by Citrine System (S) Pte. Ltd.				
Capital Eagle Holdings Limited[(b)]	Holding of intellectual properties arising from the joint development of a bluetooth-enabled anti-parrot broadcast system	Samoa	–	50
Citrine Wireless (Guangzhou) Limited.[(b)]	Sales, research and development of computer software and hardware	China	–	100

(a) On 7 August 2017, Aquarius Tech Pte. Ltd. has been struck off from the Register of Companies pursuant to Section 344(2) of the Companies Act, Cap, 50.

(b) Statutory audit is not required in the country of incorporation.

Disposal of a joint venture – Citrine System (S) Pte. Ltd.

On 31 May 2017, the Company has agreed to dispose of its 50% owned joint venture, Citrine System (S) Pte. Ltd. for a cash consideration of $33,500. The completion date of disposal was on 23 June 2017.

14. JOINT VENTURES (CONTINUED)

Disposal of a joint venture – Citrine Solution Pte. Ltd.

On 31 May 2017, the Company has agreed to dispose of its 50% owned joint venture, Citrine Solution Pte. Ltd. for a cash consideration of $5,500. The completion date of disposal was on 23 June 2017.

The summarised financial information of the above joint ventures, as at 30 June presented below is not adjusted for the proportion of ownership interest held by the Group.

	Group	
	2017	**2016**
	$'000	**$'000**
Assets and liabilities:		
Non-current assets	8	18
Current assets	420	441
Total assets	428	459
Current liabilities	54	1,328
Total liabilities	54	1,328
Results:		
Revenue	364	244
Expenses	(310)	(905)
Profit/(Loss) for the financial year	54	(661)

Aggregate information about the Group's investments in joint ventures that are not individually materials are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Revenue	364	244
Profit/(Loss) for the financial year	54	(661)
Total comprehensive income/(loss) for the financial year	54	(661)

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables	4,907	5,866	–	–
Less: allowances for impairment	(4,170)	(3,172)	–	–
	737	2,694	–	–
Other receivables	1,370	1,634	314	318
Amount due from a related party	–	653	–	1,102
Less: allowances for impairment	(1,202)	(427)	(248)	(218)
	168	1,860	66	1,202
Total trade and other receivables, net	905	4,554	66	1,202
Non-current	91	960	–	1,102
Current	814	3,594	66	100
	905	4,554	66	1,202

Trade receivables are non-interest bearing and the average credit period on sale of goods ranges from 30 to 90 (2016: 30 to 90) days according to the terms agreed with the customers. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Allowances made in respect of estimated irrecoverable amounts are determined by reference to past default experience. The carrying amount of trade receivables individually determined to be impaired is as follows:

	Group	
	2017	2016
	$'000	$'000
Past due more than 90 days	4,170	3,172

Movements in the allowance for doubtful trade receivables are as follows:

	Group	
	2017	2016
	$'000	$'000
At beginning of financial year	3,172	820
Allowance charged to profit or loss	1,608	2,371
Allowance written off during the financial year	(611)	(18)
Exchange translation differences	1	(1)
At end of financial year	4,170	3,172

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group's trade receivables are denominated in the following currencies as at reporting date:

	Group	
	2017 $'000	2016 $'000
Singapore dollar	527	2,501
United States dollar	210	193
	737	2,694

The Group has no ongoing legal proceedings from the total outstanding trade and other receivables (2016: 53%), of which the Group expects no recovery of $2,434,000 (2016: $2,434,000) through the enforcement of proceedings of the arbitral award against KDH as disclosed in Note 16. Based on legal advice obtained, the Group believes that impairment allowance is necessary for these receivables. The remaining receivables mainly arise from customers that have a good record with the Group. Based on the historical default rates of these customers, the Group believes that no impairment allowance is necessary in addition to those amounts that have already been provided for. For those customers without any historical information, the underlying customers' credit assessment has been evaluated by the Group.

The amount due from a related party of $Nil (2016: $653,000) is unsecured and bears interest at a rate of Nil (2016: 5.35%) per annum.

Movements in the impairment losses in respect of non-trade receivables are as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At beginning of financial year	427	436	218	148
Allowance charged to profit or loss	983	101	29	71
Allowance written off during the financial year	(209)	(108)	–	–
Exchange translation differences	1	(2)	1	(1)
At end of financial year	1,202	427	248	218

The Group's and Company's non-trade receivables are denominated in the following currencies as at reporting date:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Singapore dollar	66	1,758	66	1,202
Chinese Renminbi	102	102	–	–
	168	1,860	66	1,202

16. OTHER NON-CURRENT ASSETS

Group	Prepayment for rights, interest in and ownership of granite (a) $'000	Prepayment for rights on use of plant and machinery (b) $'000	Club membership $'000	Loan to a third party $'000	Total $'000
Cost					
Balance as at 1 July 2015	12,685	815	170	783	14,453
Reclassification to other current assets	–	–	–	(210)	(210)
Write-off	–	–	(50)	(573)	(623)
Balance as at 30 June 2016, 1 July 2016 and 30 June 2017	12,685	815	120	–	13,620
Accumulated amortisation					
Balance as at 1 July 2015	1,748	736	50	573	3,107
Translation differences on consolidation	(2)	1	–	–	(1)
Amortisation during the year	–	78	–	–	78
Write-off	–	–	(50)	(573)	(623)
Balance as at 30 June 2016, 1 July 2016 and 30 June 2017	1,746	815	–	–	2,561
Accumulated impairment loss					
Balance as at 1 July 2015	–	–	–	–	–
Addition	5,000	–	–	–	5,000
Balance as at 30 June 2016 and 1 July 2016	5,000	–	–	–	5,000
Addition	5,939	–	–	–	5,939
Balance as at 30 June 2017	10,939	–	–	–	10,939
Net carrying amount					
Balance as at 30 June 2016	5,939	–	120	–	6,059
Balance as at 30 June 2017	–	–	120	–	120

(a) Prepayment for rights, interest in and ownership of granite as at 30 June 2017 and 2016 relates to amounts paid for the 100% of rights, interest in and ownership of granite paid to PT Kawasan Dinamika Harmonitama ("KDH") by Equation Resources Pte. Ltd. ("ERPL"), an 81.6% owned subsidiary.

The prepayment of rights, interest in and ownership of granite is amortised proportionately based on the quantity of the granite sold during the period over the estimated granite reserve of 15 million tonnes.

On 22 March 2012, ERPL commenced arbitration proceedings against KDH by filing a Notice of Arbitration with the Singapore International Arbitration Centre ("SIAC"). ERPL is claiming against KDH for contractual damages for KDH's breaches of a sale and purchase co-operation agreement dated 5 February 2009 and supplemental agreement thereto dated 13 November 2009 for the purchase of the rights, ownership and interest in granite obtained and extracted by KDH ("Extracted Granite") from a mining area in the District of Meral, Karimun Regency, a province of the Riau Islands, in the Republic of Indonesia.

On 27 March 2012, ERPL obtained an interim injunction against KDH from the High Court of Singapore restraining KDH from disposing or dissipating the Extracted Granite and KDH's plant and machinery, until the arbitration tribunal may be constituted to hear the case or make any further interim orders. The oral hearing and post-hearing submission to arbitration tribunal were completed in early November 2013.

16. OTHER NON-CURRENT ASSETS (CONTINUED)

On 28 January 2014, ERPL announced that SIAC has awarded in favour of the Company, in respect of its claims against KDH arising from KDH's breaches of the Agreement ("Award"). Under the Award, KDH has been ordered to pay the Company a total sum of $13,086,000 plus interest of 6% per annum.

On 11 September 2015, ERPL had registered the Award at Central Jakarta District Court and the Group is presently at the stage of enforcement of proceedings of the final arbitral award against KDH in Indonesia and the success of enforcement of the Award is dependent on the outcome of the proceedings.

There was no material development since then. Currently, ERPL is also in the process of preparation to file Petition for Suspension of Debt Payment Obligations ("Petition") against KDH before the Commercial Court of Medan District Court as the creditor of PT KDH.

The management has made an assessment of the carrying value of prepayment for rights, interest in and ownership of granite for indications of impairment. Based on this assessment, an additional impairment loss of the Group's other non-current assets amounted to approximately $5,939,000 (2016: $5,000,000) was recognised into profit or loss during the financial year ended 30 June 2017 as the management has taken the view that the recovery of the carrying value of the prepayment is deemed unlikely due to the uncertainty of the outcome of the proceedings of enforcement of the Award.

(b) Prepayment for rights on the use of plant and machinery relates to contribution to the cost in exchange for the right on the use of plant and machinery for the exploration and exploitation of land and the extraction of granite in Indonesia pursuant to the agreement with KDH.

The rights on the use of plant and machinery are amortised in profit or loss on a straight-line basis over their estimated useful lives of 7 years, from the date on which they are available for use.

	Company	
	2017	2016
	$'000	$'000
Amounts due from subsidiaries	43,842	48,295
Impairment losses	(43,702)	(47,540)
	140	755

The Company monitors its recoverable periodically for collectability. The Company evaluates whether there is any objective evidence that amounts due from subsidiaries are impaired and determines the amount of impairment loss as a result of the inability of the subsidiaries to make required payments.

Determining whether amounts due from subsidiaries are impaired requires an estimation of the recoverable amount from the subsidiaries. Such recoverable amounts are estimated based on the value in use of the subsidiaries. The value in use of these subsidiaries has been determined based on valuation models which assume that the principal activities of the subsidiaries will be capable of generating future profitability and growth in the business of these activities. The value in use of these investments is dependent on the ability of the entities to realise this assumption.

An impairment assessment was conducted on the recoverable amounts of the Company's receivables from subsidiaries. The recoverable amounts of the subsidiaries were determined based on the value in use calculation using cash flow projections and applying discount rates of 33% (2016: 9% to 33%). Based on the calculation, the carrying amounts of the Company's receivables of certain subsidiaries were determined to be higher than their recoverable amounts and an impairment loss of $242,000 (2016: $12,701,000) was recognised in the current financial year. The Company does not expect the amounts to be repaid within the next twelve months from the statement of financial position date.

16. OTHER NON-CURRENT ASSETS (CONTINUED)

Of the amounts due from subsidiaries are non-trade loans and advances of $41,493,000 (2016: $44,541,000) which are unsecured and have no fixed term of repayment. The weighted average effective interest rate per annum is 0.76% (2016: 0.98%). The remaining balance of $2,349,000 (2016: $3,754,000) is interest free, unsecured and has no fixed term of repayment. These amounts are expected to be settled in cash.

Movements in the impairment losses in respect of amount due from subsidiaries are as follows:

	Company	
	2017 $'000	2016 $'000
At beginning of financial year	47,540	34,839
Allowance charged to profit or loss	242	12,701
Allowance written off during the financial year	(4,237)	–
Exchange translation differences	157	–
At end of financial year	43,702	47,540

The Group's and Company's other non-current assets are denominated in Singapore dollar.

17. INVENTORIES

	Group	
	2017 $'000	2016 $'000
Statement of financial position:		
Finished goods	–	71
Income statement:		
Inventories recognised as an expense in cost of sales	–	110

18. OTHER CURRENT ASSETS

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deposits for trade purchases	68	418	–	350
Refundable deposits	149	449	41	169
Prepayments	54	177	28	73
Amount due from minority shareholder in subsidiary	43	43	–	–
Other recoverable	1,505	1,452	17	–
Loan to a third party	–	210	–	210
Interest receivable	16	28	16	28
Deposit paid to secure potential investment	1,000	1,000	1,000	1,000
	2,835	3,777	1,102	1,830
Less: allowance for impairment	(1,886)	(2,210)	(1,000)	(1,350)
	949	1,567	102	480

18. OTHER CURRENT ASSETS (CONTINUED)

Refundable deposits consist mainly of rental deposits.

Deposit paid to secure potential investment arises from a sale and purchase agreement entered into by the Company to acquire interest in a certain company. This amount has been fully impaired.

Other recoverable consists mainly of secured payment in relation to sand business in the supply of construction materials segment. This amount has been fully impaired.

The movement in allowance for impairment in respect of other current assets is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of financial year	2,210	2,210	1,350	1,350
Allowance charged to profit or loss	17	–	–	–
Allowance written off during the financial year	(350)	–	(350)	–
Exchange translation differences	9	–	–	–
At end of financial year	1,886	2,210	1,000	1,350

The breakdown of allowance in respect of other current assets is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Deposits for trade purchases	–	350	–	350
Amount due from minority shareholder in subsidiary	43	43	–	–
Other recoverable	843	817	–	–
Deposit paid to secure potential investment	1,000	1,000	1,000	1,000
Balance as at 30 June	1,886	2,210	1,000	1,350

The Group's and Company's other current assets are denominated in the following currencies as at reporting date:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	289	934	102	480
United States dollar	638	577	–	–
Hong Kong dollar	20	20	–	–
Chinese Renminbi	2	36	–	–
	949	1,567	102	480

19. CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash at banks and on hand	4,096	1,332	3,478	509
Short-term bank deposits	16,069	4,011	16,069	4,011
	20,165	5,343	19,547	4,520

Short-term bank deposits at the reporting date have maturity range from 1 month to 6 months (2016: 1 month to 6 months) from the end of the financial year with the following weighted average effective interest rates per annum:

	Group		Company	
	2017	2016	2017	2016
	%	%	%	%
Singapore dollar	0.10 to 1.09	0.10 to 0.75	0.10 to 1.09	0.10 to 0.75

Included in the deposits placed with banks as security amounting to $61,000 (2016: $61,000) was security charges pledged with banks for facilities.

The Group's and Company's cash and bank balances are denominated in the following currencies as at reporting date:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Singapore dollar	19,875	4,896	19,543	4,503
United States dollar	223	106	–	–
Euro	13	28	4	17
Hong Kong dollar	20	290	–	–
Chinese Renminbi	34	23	–	–
	20,165	5,343	19,547	4,520

For the purpose of the consolidated statement of cash flows, the consolidated cash and bank balances comprise the following at the end of the financial year:

	Group	
	2017	2016
	$'000	$'000
Cash and bank balances	20,165	5,343
Deposits placed with banks as security	(61)	(61)
Cash and cash equivalents as presented in consolidated statement of cash flows	20,104	5,282

20. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	Group and Company	
	2017 $'000	2016 $'000
Unquoted equity securities	120	120
Impairment losses	(120)	(120)
	–	–
Redeemable preference shares	2,222	2,222
	2,222	2,222
Analysis of impairment losses in unquoted equity securities is as follows:		
Balance as at 1 July/30 June	120	120

Unquoted equity securities

The carrying amount of the unquoted securities that the Company intends to hold for the long-term relates to an investee whose principal activity is investment holding. The Company states unquoted equity securities at cost less impairment losses. The investee does not have a history of profits and positive cash flows, is not similar in size and activity to any listed entity and there is also no active market for the equity interest. As such, it is not practicable to determine with sufficient reliability, its fair value.

Redeemable preference shares

The unquoted equity securities comprise the Company's investment in redeemable preference shares of an investee whose principal activity is property development. The Company states unquoted equity securities at cost. The investee is not similar in size and activity to any listed entity and there is also no active market for the equity interest. As such, it is not practicable to determine with sufficient reliability, its fair value.

21. SHARE CAPITAL

	Group and Company			
	2017		2016	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid:				
Balance as at 1 July	5,113,730	154,474	5,113,730	154,474
Capital reduction	–	(135,571)	–	–
Share issue pursuant to:				
Ordinary shares				
– exercise of warrants	929,909	6,509	–	–
– exercise of share options	2,500	15	–	–
– private placements	1,280,000	10,783	–	–
Transfer on conversion from warrants to shares	–	930	–	–
Balance as at 30 June	7,326,139	37,140	5,113,730	154,474

21. SHARE CAPITAL (CONTINUED)

On 7 April 2017, the Company performed capital reduction exercise by the cancellation of the share capital that has been lost or unrepresented by available assets to the extent of $135,571,000.

On 17 November 2016, the Company issued 600,000,000 new shares at $0.007 per share pursuant to a subscription agreement entered between the Company and the subscribers. The total proceeds for the issue of share capital were $4,200,000.

On 13 December 2016, the Company issued 300,000,000 new shares at $0.0099 per share pursuant to a placement agreement entered between the Company and the placement agent. The total proceeds for the issue of share capital were $2,970,000.

On 13 December 2016, the Company issued 380,000,000 new shares at $0.0099 per share pursuant to a subscription agreement entered between the Company and the subscriber. The total proceeds for the issue of share capital were $3,762,000.

As at 30 June 2017, 929,909,458 warrants have been exercised since the issue of the warrants. The proceeds for exercised of warrants were $6,509,000. The rights to subscribe for new ordinary shares in the capital of the Company by way of exercise of the warrants have expired on 2 August 2017.

All issued shares are fully paid. The newly issued shares rank pari passu in all respects with the previously issued shares.

The ordinary shares have no par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

22. SHARE-BASED PAYMENTS

DISA Employee Share Option Scheme (the "DISA ESOS") (formerly known as Equation Employee Share Option Scheme (the "ECL ESOS"))

The ECL ESOS ("ECL ESOS 2010") was approved and adopted by members of the Company at an Extraordinary General Meeting ("EGM") held on 28 October 2010 ("Date of Adoption"). The ESOS 2010 shall continue to be in force at the discretion of the Company subject to a maximum period of 10 years commencing from the Date of Adoption till 27 October 2020.

The ESOS 2010 replaced the ECL ESOS ("ECL ESOS 1999") that was approved and adopted by members of the Company at an EGM held on 23 December 1999. The ECL ESOS 1999 expired on 22 December 2009. However the expiry of the ECL ESOS 1999 shall not affect options which have been granted and accepted as disclosed below, whether such options have been exercised (whether fully or partially) or not. Subsequently, ECL ESOS has been changed name to DISA ESOS with effect from 13 February 2017.

Other information regarding the DISA ESOS is set out below:

- The exercise price of the options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant.

- The aggregate number of ordinary shares which may be allotted and issued shares upon the exercise of options granted pursuant to the DISA ESOS of the Company shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.

22. SHARE-BASED PAYMENTS (CONTINUED)

DISA Employee Share Option Scheme (the "DISA ESOS") (formerly known as Equation Employee Share Option Scheme (the "ECL ESOS")) (Continued)

Other information regarding the DISA ESOS is set out below: (Continued)

- Options granted to and accepted by executives, directors and employees in respect of an option granted with a subscription price at the market price will be exercisable after the first anniversary of the offer date of that option. Options granted to and accepted by executives, directors and employees in respect of an option granted with a subscription price at a discount to the market price will only be exercisable after the second anniversary of the offer date of that option.

- The options granted will expire after 10 years from the offer date of the option for executives, directors and employees of the Company and its subsidiaries.

Movement in the number of share options and their related weighted average exercise prices is as follows:

	2017		2016	
	Weighted average exercise price $	**No. of options '000**	**Weighted average exercise price $**	**No. of options '000**
ESOS 1999				
Balance as at 1 July	–	–	0.033[a]	550
Lapsed/Expired	–	–	(0.033)	(550)
Balance as at 30 June	–	–	–	–
ESOS 2010				
Balance as at 1 July	0.006[b]	10,000	0.006[b]	10,000
Granted	0.113[c]	45,000	–	–
Exercised	(0.006)	(2,500)	–	–
Balance as at 30 June	0.113	52,500	0.006[b]	10,000
Exercisable as at 30 June:				
ESOS 1999	–	–	–	–
ESOS 2010	0.113	52,500	0.006[b]	10,000

As required under Rule 849 of the Rules of Catalist, the DISA ESOS must provide for adjustment of subscription or option price or the number or amount of securities under the DISA ESOS not already allotted, in the event of a rights issue exercise by the Company. Accordingly, the exercise prices for the options were separately adjusted as follows:

[a] The Company had listed and quoted 982,745,929 Rights Shares (at an issue price of $0.007) for each Rights Share on the basis of one (1) Rights Share for every four (4) existing shares in the issued share capital of the Company) on 24 April 2014. Accordingly, the exercise price of the ECL ESOS 1999 Options was adjusted from $0.039 to $0.033, for each Rights Share based on the modification date of 24 April 2014.

[b] The Company granted an aggregate of 10,000,000 share options at $0.006 per share pursuant to the DISA ESOS 2010.

22. SHARE-BASED PAYMENTS (CONTINUED)

DISA Employee Share Option Scheme (the "DISA ESOS") (formerly known as Equation Employee Share Option Scheme (the "ECL ESOS")) (Continued)

(c) The Company granted the following share options pursuant to the DISA ESOS:

(i) Aggregate of 8,000,000 share options at $0.01110 per share

(ii) Aggregate of 18,000,000 share options at $0.00999 per share

(iii) Aggregate of 1,000,000 share options at $0.03260 per share

(iv) Aggregate of 10,000,000 share options at $0.03010 per share

(v) Aggregate of 8,000,000 share options at $0.02920 per share

There were 2,500,000 share options exercised in the current financial year (2016: Nil).

Share options outstanding at the end of the financial year have the following expiry dates and exercise prices:

			Options outstanding	
Date of grant of options	**Expiry date**	**Exercise price**	**2017 '000**	**2016 '000**
17/04/2006	16/4/2016	0.03300	–	–
08/01/2015	7/1/2025	0.00600	7,500	10,000
08/12/2016	7/12/2026	0.01110	18,000	–
08/12/2016	7/12/2026	0.00999	8,000	–
08/02/2017	7/02/2027	0.03260	1,000	–
16/03/2017	15/03/2027	0.03010	10,000	–
03/04/2017	02/04/2027	0.02920	8,000	–
			52,500	10,000

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black Scholes Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Fair value of share options and assumptions

Date of grant of options	**8.1.2015 $'000**	**8.12.2016 $'000**	**8.12.2016 $'000**	**8.2.2017 $'000**	**16.3.2017 $'000**	**3.4.2017 $'000**
Fair value at measurement date	54	198	88	36	280	232
Share price	$0.007	$0.0110	$0.0110	$0.0360	$0.0280	$0.0290
Exercise price	$0.006	$0.0111	$0.0099	$0.0326	$0.0301	$0.0292
Expected volatility	423%	423%	423%	423%	423%	423%
Expected option life	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividends	0%	0%	0%	0%	0%	0%
Risk-free interest rate	2.34%	2.47%	2.47%	2.11%	2.11%	2.11%

The expected volatility is based on the historic volatility (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

22. SHARE-BASED PAYMENTS (CONTINUED)

DISA Employee Share Option Scheme (the "DISA ESOS") (formerly known as Equation Employee Share Option Scheme (the "ECL ESOS")) (Continued)

Fair value of share options and assumptions (Continued)

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date.

DISA Performance Shares Scheme (the "DISA PS Scheme") (formerly known as Equation Performance Shares Scheme (the "ECL PS Scheme"))

The DISA PS Scheme was approved by the members of the Company at an EGM held on 31 October 2008 ("Date of Approval").

The DISA PS Scheme differs from the existing DISA ESOS in that it allows the Company to target specific performance objectives and to provide an incentive for participants in the DISA PS Scheme ("Participants") to achieve these targets. The DISA ESOS, on the other hand, provides a more broad-based incentive that is based on the overall performance of the Company. The DISA PS Scheme is not intended to replace the existing DISA ESOS, but to complement it.

The Company has the flexibility to either issue and deliver new shares of the Company, or purchase and deliver existing shares of the Company to Participants upon the vesting of the shares awarded.

Participants will receive fully paid shares of the Company, provided that certain prescribed performance targets are met within a prescribed period.

A Participant's award of shares under the DISA PS Scheme (the "Award") will be determined at the sole discretion of the DISA PS Scheme Committee, which will oversee and administer the DISA PS Scheme.

At the end of the financial year, no awards were granted under the DISA PS Scheme.

The principal terms of the DISA PS Scheme are:

Size and duration

- The aggregate number of Award shares to be delivered to the vesting of the Award on any date, when added to the number of shares issued and/or issuable under such other share-based incentive schemes (including the DISA ESOS) of the Company shall not exceed 15% of the issued shares of the Company on the day preceding that date.

- The aggregate number of Award shares available to eligible controlling shareholders and their associates under the DISA ESOS shall not exceed 25% of the shares available under this DISA PS Scheme. In addition, the number of Award shares available to each such controlling shareholder or his associate shall not exceed 10% of the shares available under this DISA PS Scheme.

- The DISA PS Scheme shall continue to be in force at the discretion of the DISA PS Scheme Committee, subject to a maximum period of 10 years commencing on the Date of Approval (expiring on 30 October 2018) of the DISA PS Scheme, provided always that the DISA PS Scheme may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

22. SHARE-BASED PAYMENTS (CONTINUED)

DISA Performance Shares Scheme (the "DISA PS Scheme") (formerly known as Equation Performance Shares Scheme (the "ECL PS Scheme")) (Continued)

Participants of the DISA PS Scheme

In respect of the DISA PS Scheme, the following persons shall be eligible to participate:

- Employees of the Company and its subsidiaries who have been employed for a minimum of 1 year or such shorter period as the DISA PS Scheme Committee may determine and have attained the age of 21 years on or before the date of commencement of the DISA PS Scheme;
- Executive Directors of the Company and its subsidiaries; and
- Non-Executive Directors (including Independent Directors) of the Company and its subsidiaries.

The DISA PS Scheme was extended to two individuals, one of whom is the controlling shareholder and the other his associate, namely Mr. Chng Weng Wah and Mr. Chng Weng Huat respectively. Mr. Chng Weng Huat is the sibling of Mr. Chng Weng Wah.

23. ACCRUALS

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Accrued interests	556	1,635	556	176
Accrued staff costs	200	705	45	58
Accrued operating expenses	466	421	322	325
	1,222	2,761	923	559
Non-current	–	761	–	176
Current	1,222	2,000	923	383
	1,222	2,761	923	559

In 2016, the non-current accruals comprised mainly accruals of salaries payable to directors of a subsidiary that had been deferred.

The Group's and Company's accruals are denominated in the following currencies at reporting date:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Singapore dollar	1,088	2,737	923	559
United States dollar	76	–	–	–
Euro	17	16	–	–
Chinese Renminbi	41	8	–	–
	1,222	2,761	923	559

24. FINANCIAL LIABILITIES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Non-current				
Loan from a third party[(a)]	–	385	–	385
Finance lease liabilities	100	85	100	85
Convertible bonds[(b)]	11,918	–	11,918	–
	12,018	470	12,018	470
Current				
Finance lease liabilities	15	33	15	33
Secured loan[(c)]	–	115	–	–
Convertible loan[(d)]	–	6,815	–	–
	15	6,963	15	33
	12,033	7,433	12,033	503

(a) Loan from a third party arises from a financing agreement entered into by the Company's subsidiary, with a third party, for a loan amounting to $2,826,000. The loan from a third party bears an average interest rate of 3.4% (2016: 3.4%) per annum, is unsecured and repayable over 24 equal instalments. In FY2015, the Company's subsidiary had renegotiated the repayment terms by making repayment of $1.0 million to the third party on 1 October 2013 and the balance shall be repaid in 48 equal instalments commencing from 1 November 2013, with the last payment ending on 1 October 2017. On 1 March 2016, the loan from a third party has been assigned to the Company. The loan has been fully repaid during the financial year 2017.

(b) On 27 December 2016, the Company entered into a Redeemable Convertible Bonds ("RCB") agreement with Wang Yu Huei, Tang Wee Loke, Lee Teong Sang and Tsai Yi-Chen, the ("Investors"), pursuant to which, the Investors agreed to subscribe for an aggregate subscription amount of $12,000,000 pursuant to the terms of the RCB agreement. The bonds can be converted into the Company's ordinary shares at any time between 23 December 2017 and 23 December 2018. Shareholders' approval has been obtained on 13 February 2017 in relation to the RCB agreement. The bonds will be matured on 23 December 2018. On the maturity date, all bonds except converted, shall be redeemed by the Company by payment of the outstanding principal value and accrued interest, in cash.

The RCB bear an interest rate at 9% per annum and Investors can elect to have all interest due by way of allotment and issuance of ordinary shares in the Company in lieu of receiving payment of interest in cash.

(c) The secured loan is secured by security charges which provide for fixed charge on certain equipment to be supplied to a customer and deed of assignment on proceeds arising from certain project of a subsidiary. Personal guarantee is given by a minority shareholder of a subsidiary. In addition, corporate guarantee is given by the Company. The loan has been fully repaid during the financial year 2017.

(d) The Company entered into a convertible loan agreement in the prior year with Disa Digital Safety Pte. Ltd. ("DDSPL") and three other investors namely Sculptor Finance (MD) Ireland Limited, Sculptor Finance (AS) Ireland Limited and Sculptor Finance (SI) Ireland Limited ("Sculptor Investors") pursuant to which, the Sculptor Investors agreed to grant DDSPL an initial loan of an aggregate principal amount of $7,000,000 ("1st Tranche"), and a further option for a loan of an aggregate principal amount of $7,000,000 ("2nd Tranche"), both of which are convertible either into the Company's ordinary shares ("Shares") at (i) $0.020 per Share for the 1st Tranche; and (ii) $0.025 per Share for the 2nd Tranche, or new ordinary shares in the capital of DDSPL in the event of a trade sale or an initial public offering of DDSPL at the discretion of the Sculptor Investors. These exercise prices will be subject to adjustment in accordance with terms and conditions of the convertible loan agreement.

The Sculptor Investors may require DDSPL to repay the Sculptor Investor's contributions to the 1st Tranche together with any outstanding interest at any time between 1 May 2015 and 30 April 2017. The 2nd Tranche lapsed on the same date the 1st Tranche became due. In the event that any balance on the 1st Tranche is not converted into the Company's shares or DDSPL's shares within 5 years from the completion date of the 1st Tranche, all outstanding balances including any outstanding interest are to be repaid in cash to the Sculptor Investors. The convertible loan bears interest at 5% per annum and is secured by the Company's corporate guarantee. The convertible loan has been fully repaid during the financial year 2017.

24. FINANCIAL LIABILITIES (CONTINUED)

The Group and the Company have obligations under finance leases that are payable as follows:

	2017			2016		
	Principal $'000	Interest $'000	Payments $'000	Principal $'000	Interest $'000	Payments $'000
Group and Company						
Within 1 year	15	5	20	33	4	37
Between 1 and 5 years	63	12	75	85	4	89
More than 5 years	37	1	38	–	–	–
	115	18	133	118	8	126

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

		2017			2016		
	Year of maturity	Weighted average effective interest rate %	Face value $'000	Carrying amount $'000	Weighted average effective interest rate %	Face value $'000	Carrying amount $'000
Group							
Fixed interest rate convertible loan	2012-2017	–	–	–	7.00	7,000	6,815
Fixed interest rate convertible bonds	2017-2018	9.00	12,000	11,918	–	–	–
Fixed interest rate loan	2014-2017	–	–	–	9.25	115	115
Variable interest rate loans	2011-2017	–	–	–	4.84	385	385
Finance lease liabilities	2009-2024	15.10	115	115	7.37	118	118
			12,115	12,033		7,618	7,433
Company							
Fixed interest rate convertible bonds	2017-2018	9.00	12,000	11,918	–	–	–
Variable interest rate loans	2011-2017	–	–	–	4.84	385	385
Finance lease liabilities	2009-2024	15.10	115	115	7.37	118	118
			12,115	12,033		503	503

24. FINANCIAL LIABILITIES (CONTINUED)

The following are the expected contractual undisclosed cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

Group	Carrying amount $'000	Contractual cash flows $'000	Cash flows Within 1 year $'000	Within 1 to 5 years $'000	More than 5 years $'000
2017					
Non-derivative financial liabilities					
Fixed interest rate convertible bonds	11,918	14,160	1,080	13,080	–
Finance lease liabilities	115	133	20	75	38
	12,033	14,293	1,100	13,155	38
2016					
Non-derivative financial liabilities					
Fixed interest rate convertible loan	6,815	8,750	8,750	–	–
Fixed interest rate loan	115	119	119	–	–
Variable interest rate loans	385	403	–	403	–
Finance lease liabilities	118	126	37	89	–
	7,433	9,398	8,906	492	–

Company	Carrying amount $'000	Contractual cash flows $'000	Cash flows Within 1 year $'000	Within 1 to 5 years $'000	More than 5 years $'000
2017					
Non-derivative financial liabilities					
Fixed interest rate convertible bonds	11,918	14,160	1,080	13,080	–
Finance lease liabilities	115	133	20	75	38
	12,033	14,293	1,100	13,155	38
2016					
Non-derivative financial liabilities					
Variable interest rate loans	385	403	–	403	–
Finance lease liabilities	118	126	37	89	–
	503	529	37	492	–

Financial liabilities are denominated in Singapore dollar as at reporting date.

25. DERIVATIVE INSTRUMENT

	Group	
	2017 $'000	2016 $'000
Derivative instrument	–	21

Derivative instrument relates to the embedded derivative component in a convertible loan agreement that the Company entered into during the financial year ended 30 June 2012. The agreement was entered into with Disa Digital Safety Pte. Ltd. ("DDSPL") and the Sculptor Investors, pursuant to which, the Sculptor Investors agreed to grant to DDSPL an initial loan of an aggregate principal amount of $7,000,000 ("Convertible Loan"). The Convertible Loan can be converted either into the Company's ordinary shares, or into new ordinary shares in the capital of DDSPL (Note 24(d)). The loan has been fully repaid during the financial year 2017.

Based on terms and conditions of the Convertible Loan, it was determined to be a hybrid instrument. This hybrid instrument is separated into 2 components, being loan and embedded derivative. The loan component is calculated based on fair value of the host contract at inception date (Note 24(d): $6,239,000) using market interest rate for an equivalent unsecured bank loan. The fair value of the embedded derivative is estimated using valuation techniques, the fair value of the embedded derivative is $Nil (2016: $21,000) (Note 33).

26. DEFERRED TAX LIABILITIES

	Group	
	2017 $'000	2016 $'000
Deferred tax liabilities:		
Balance as at 1 July	2,267	2,506
Credit to profit or loss (Note 8)	(238)	(239)
Balance as at 30 June	2,029	2,267
Deferred tax liabilities as at 30 June related to the following:		
Differences arising from intangible assets	2,029	2,267

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade payables – third parties	1,893	1,896	–	–
Other payables:				
– subsidiary	–	–	–	42
– an associate	–	22	–	–
– a director	3	19	3	19
– minority shareholders of subsidiaries	–	259	–	–
– third parties	269	551	83	140
	2,165	2,747	86	201
Deposits received	4	281	4	151
Others	5	11	(3)	(4)
Total trade and other payables	2,174	3,039	87	348

27. TRADE AND OTHER PAYABLES (CONTINUED)

Included in the trade payables is an amount of $289,000 (2016: $289,000) which is payable to KDH (Note 16).

The other payables due to minority shareholders of subsidiaries of $Nil (2016: $259,000) are unsecured, interest-free and are repayable on demand.

The other payables due to a subsidiary of $Nil (2016: $42,000) are unsecured, interest-free and are repayable on demand.

The other payable due to a director is unsecured, interest-free and is repayable on demand. This amount is expected to be settled in cash.

The Group's and Company's trade and other payables are denominated in the following currencies as at reporting date:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Singapore dollar	1,377	2,139	87	276
United States dollar	759	839	–	72
Euro	3	25	–	–
Malaysian Ringgit	4	4	–	–
Indonesia Rupiah	31	32	–	–
	2,174	3,039	87	348

28. PROVISIONS AND OTHER LIABILITIES

Group	Legal $'000	Other liabilities $'000	Total $'000
Balance as at 1 July 2015	–	12	12
Provision made	522	–	522
Write-off	–	(12)	(12)
Balance as at 30 June 2016 and 1 July 2016	522	–	522
Transferred	(510)	510	–
Provision made	182	–	182
Balance as at 30 June 2017	194	510	704

The provision for legal liabilities and other liabilities was related to litigation costs and other legal proceedings.

A customer of a subsidiary made an arbitration claim for breach of a fixture note as well as for loss and damage suffered. On 25 June 2016, the Singapore International Arbitration Centre ("SIAC") has awarded in favour of the customer of the subsidiary in respect of its claims amounting to $510,000 which is included in the other liabilities as at reporting date. As at reporting date, the award is yet to be finalised.

A customer of a subsidiary made a counter claim to its arbitration claim in regards to the loss and damages arose from unpaid charter hire and liquidated damages. On 20 July 2017, the lawyer responded in favour of the customer of the subsidiary in respect of its net claims amounting to US$132,000 (equivalent to $182,000) which is included in the provision made $194,000.

28. PROVISIONS AND OTHER LIABILITIES (CONTINUED)

The Group's and Company's provisions and other liabilities are denominated in the following currencies at reporting date:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Singapore dollar	522	522	–	–
United States dollar	182	–	–	–
	704	522	–	–

29. OPERATING LEASE COMMITMENTS

The Group and Company as lessee

At the end of the reporting date, the Group has commitments for future minimum lease payments under non-cancellable operating leases in respect of the leasehold buildings, warehouses and office equipment as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Future minimum lease payments payable:				
Within 1 year	333	726	96	262
After 1 year but within 5 years	525	96	–	96
	858	822	96	358

The leases have tenure ranging from 1 year to 5 years, with an option to renew the lease for another 1 year to 5 years subject to certain conditions being met. Lease payments are increased upon renewal to reflect market rentals. There are no restrictions placed upon the Company by entering into these leases.

The Group and Company as lessor

The Group sub-leases part of its leasehold property. These non-cancellable leases have remaining lease terms within 1 year. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

At the end of the financial year, future minimum rental receivables under non-cancellable operating leases are as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Within 1 year	–	722	–	183

30. CONTINGENCIES

Details of contingent liabilities are as follows:

Company

As at 30 June 2017:

(a) The Company had given undertakings to certain subsidiaries to provide continuing support to the subsidiaries, when necessary, to enable them to operate as going concerns and to meet their obligations. As at 30 June 2017, the Company has granted corporate guarantees amounting to $Nil (2016: $7,115,000) to certain financial institutions in respect of facilities extended to these subsidiaries.

(b) The Company had given a corporate guarantee amounting to $853,000 (2016: $853,000) to a financial institution in respect of facilities extended to an investee of the Company's investment in redeemable preference shares (Note 20), such guarantee was not utilised at the end of the reporting period.

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the financial year, in addition to those disclosed elsewhere in these financial statements, the Company entered into the following transactions with related parties:

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Other services		
Interest income from related parties	64	50
Usage of facilities from related parties	56	76

Key management personnel compensation

	Group	
	2017	**2016**
	$'000	**$'000**
Short-term employee benefits	2,639	1,195
Central Provident Fund contribution	87	58
	2,726	1,253
Comprise amounts paid to:		
Directors of the Company	974	545
Other key management personnel	1,752	708
	2,726	1,253

The key management personnel comprise directors of the Company and its subsidiaries, senior management of the Company such as Chief Financial Officer, General Managers and others, and their compensation is disclosed as above.

32. SEGMENT INFORMATION

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on their geographical locations and markets. For each of the strategic business units, the Group Chief Executive Officer reviews the internal management reports on a monthly basis to make strategic decisions.

The accounting policies of the reportable segments are the same as described in Note 2.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment profit before income tax is used to measure performance as the management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

As disclosed in Note 12, the Group has disposed of its subsidiary, ERC which represents main reportable segment for recycling of the Group.

For the financial year ended 30 June 2017, the Group comprises the following main reportable segments:

- Supply of Construction Materials;
- Energy Management Services;
- Technology; and
- Investment holding and others.

32. SEGMENT INFORMATION (CONTINUED)

Analysis by business segment

	E-waste/ Recycling $'000	Supply of Construction Materials $'000	Energy Management Services $'000	Technology $'000	Investment holding and others $'000	Total $'000
2017						
Continuing operations						
External revenue	–	–	235	90	–	325
Share of results of joint ventures	–	–	–	–	27	27
Reportable segment loss after income tax from continuing operations	–	(8,677)	(32)	(3,897)	(5,115)	(17,721)
Discontinued operations						
Profit from discontinued operations after tax						84
						(17,637)
Other material non-cash items:						
Continuing operations						
– Interest expense	–	–	(3)	(192)	(567)	(762)
– Depreciation and amortisation	–	–	–	(1,420)	(59)	(1,479)
– Gain on disposal of property, plant and equipment	–	–	–	–	23	23
– Gain on disposal of joint ventures	–	–	–	–	28	28
– Loss on disposal of a subsidiary	–	–	–	–	(643)	(643)
– Loss on liquidation of an associate	–	–	–	(4)	–	(4)
– Loss on waiver of debts	–	–	–	–	(862)	(862)
– Impairment loss on other current assets	–	(17)	–	–	–	(17)
– Impairment loss on prepayment for rights, interest in and ownership of granite	–	(5,939)	–	–	–	(5,939)
– Impairment loss on trade and other receivables	–	(2,434)	(128)	–	(29)	(2,591)
– Provision for legal liabilities	–	(182)	–	–	–	(182)
– Reversal of fair value gain provided in previous years	–	–	–	(89)	–	(89)
Reportable segment assets	–	1,031	472	990	34,263	36,756
Capital expenditure:						
– Property, plant and equipment	–	–	–	(72)	(402)	(474)
Reportable segment liabilities	–	(2,734)	(41)	(316)	(15,071)	(18,162)
Discontinued operations						
– Depreciation and amortisation	(13)	–	–	–	–	(13)
– Gain on disposal of property, plant and equipment	74	–	–	–	–	74
– Write-off of property, plant and equipment	(7)	–	–	–	–	(7)

32. SEGMENT INFORMATION (CONTINUED)

Analysis by business segment (Continued)

	E-waste/ Recycling $'000	Supply of Construction Materials $'000	Energy Management Services $'000	Technology $'000	Investment holding and others $'000	Total $'000
2016						
Continuing operations						
External revenue	–	–	450	–	–	450
Share of results of associates	–	–	–	(1)	–	(1)
Share of results of joint ventures	–	–	–	–	(330)	(330)
Reportable segment (loss)/ profit after income tax from continuing operations	–	(5,100)	206	(4,950)	(2,213)	(12,057)
Discontinued operations						
Profit from discontinued operations after tax						323
						(11,734)
Other material non-cash items:						
Continuing operations						
– Interest expense	–	(16)	(20)	(540)	(12)	(588)
– Depreciation and amortisation	–	–	–	(1,416)	(52)	(1,468)
– Impairment loss on prepayment for rights, interest in and ownership of granite	–	(5,000)	–	–	–	(5,000)
– Impairment loss on trade and other receivables	–	–	–	(2,371)	(71)	(2,442)
– Provision for legal liabilities	–	(522)	–	–	–	(522)
– Reversal of long outstanding payables and accruals	–	522	–	–	12	534
Reportable segment assets	–	9,415	937	915	21,435	32,702
Capital expenditure:						
– Property, plant and equipment	–	–	–	(4)	(6)	(10)
Reportable segment liabilities	–	(2,526)	(198)	(9,018)	(3,635)	(15,377)
Discontinued operations						
– Depreciation and amortisation	(19)	–	–	–	–	(19)
– Impairment loss on trade and other receivables	(30)	–	–	–	–	30
– Reversal of long outstanding payables and accruals	165	–	–	–	–	165
Reportable segment assets	667	–	–	–	–	667
Reportable segment liabilities	(666)	–	–	–	–	(666)

32. SEGMENT INFORMATION (CONTINUED)

Analysis by business segment (Continued)

	Group	
	2017	**2016**
	$'000	**$'000**
Continuing operations		
Revenue		
Total revenue for reportable segments	325	450
Elimination of inter-segment revenue	–	–
Consolidated revenue	325	450
Profit or loss		
Total loss for reportable segments	(17,986)	(11,965)
Share of results of associates	–	(1)
Share of results of joint ventures	27	(330)
Consolidated loss before income tax	(17,959)	(12,296)

Analysis by geographical segment

Revenue, total consolidated assets and total capital expenditure information based on the geographical location of customers and assets respectively are as follows:

	Total revenue		Total consolidated assets		Total capital expenditure	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Continuing operations						
Singapore	316	450	36,385	32,161	446	10
United States	9	–	172	–	27	–
Others	–	–	199	541	1	–
	325	450	36,756	32,702	474	10
Discontinued operations						
Singapore	157	387	–	667	–	–
	157	387	–	667	–	–

Information about major customers

Revenue from one (2016: two) customer of the Group exceeded 10% of the Group's total revenue and represented approximately $207,000 (2016: $327,000) of the Group's total revenue.

33. FAIR VALUE OF ASSETS AND LIABILITIES

The fair values of applicable assets and liabilities are determined and categorised using a fair value hierarchy as follows:

(a) Level 1 – the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).

(b) Level 2 – in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets or included within Level 1, quoted prices for identical or similar assets/liabilities in non-active markets.

(c) Level 3 – in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and Company.

Derivative instrument

Where the fair values of financial instruments recorded on the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the Binomial Option pricing model and Black Scholes model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgements include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of derivative instrument.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Intra-group financial guarantees

The value of financial guarantees provided by the Company to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the bank with these guarantees made available, with the estimated rates that the banks would have charged had these guarantees not been available.

Management of the Group has determined the differentials and estimated the fair value of the intra-group financial guarantees and noted that they were immaterial at year-end.

33. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and bank balances and trade and other payables and other liabilities) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Group	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2017				
Liabilities				
Derivative instrument (Note 25)	–	–	–	–
2016				
Liabilities				
Derivative instrument (Note 25)	–	–	21	21

There has been no transfer between Level 1, Level 2 and Level 3 for the Group and Company during 2017 and 2016.

Level 3 Financial Liabilities Measured at Fair Value

The following table presents the reconciliation of financial instruments measured at fair value based on significant unobservable inputs (Level 3).

	2017 $'000	2016 $'000
Group		
Balance as at 1 July	21	21
Reversal of fair value gain provided in previous years	(21)	–
Balance as at 30 June	–	21

The following table presents the valuation techniques and key inputs that were used to determine the fair value of financial instruments categorised under Level 3 of the fair value hierarchy.

Description	Fair value as at 30 June 2017 $'000	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs
Derivative instrument	Nil	Binomial Option pricing model	Volatility	34% to 44%

The financial instrument categorised under Level 3 of the fair value hierarchy is generally sensitive to the unobservable input tabled above. A significant movement of the input would result in significant change to the fair value of the financial liability. An increase/(decrease) in the input by 5% will cause the fair value to increase/(decrease) by $Nil (2016:$22,000/($13,000)).

33. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Valuation policies and techniques

The management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regards, the management reports to the Group's Audit and Risk Management Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to select and adopt valuation methodologies in accordance with FRS 113 *Fair Value Measurement* guidance.

Significant changes in fair value measurements from period to period are evaluated by the Group's finance department for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The analysis and results of the external valuations are then reported to the Audit and Risk Management Committee for the latter's comments before presenting the results to the Board of Directors for approval.

During the financial year, there is no change in the applicable valuation techniques.

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Group's activities expose it to credit risk, market risk (including foreign currency risk, interest rate risk and equity price risk) and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors. The Audit and Risk Management Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risks exposure are measured using sensitivity analysis indicated below.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure.

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit listing. Cash and short term bank deposits are placed with banks and financial institutions, which are regulated.

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risk (Continued)

The age analysis of net trade receivables is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Not past due	349	852
Past due 0 – 30 days	43	18
Past due 31 – 60 days	5	11
Past due more than 60 days	340	1,813
	737	2,694

The movements in the allowance for impairment in respect of trade receivables during the financial year are disclosed in Note 15 to the financial statements.

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Based on past experience, except for certain trade receivables balances that were impaired, the Group believes that no allowance is necessary in respect of the remaining trade receivables due to the good payment track record of its customers.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
By country:		
Singapore	737	1,214
Others	–	1,480
	737	2,694
By business segment		
Supply of Construction Materials	325	1,802
Energy Management Services	399	884
Technology	13	–
E-waste/Recycling	–	8
	737	2,694

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risks

The Group transacts business in various foreign currencies, including, United States dollar ("USD"), Euro, Hong Kong dollar, Chinese Renminbi, Malaysia Ringgit and Indonesia Rupiah, other than the respective functional currencies of the Group, and hence is exposed to foreign currency risks. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year are as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Monetary assets				
United States dollar	1,071	876	–	–
Euro	13	28	4	17
Hong Kong dollar	40	310	–	–
Chinese Renminbi	136	161	–	–
Monetary liabilities				
United States dollar	(835)	(839)	–	(72)
Euro	(20)	(41)	–	–
Chinese Renminbi	(41)	(8)	–	–
Malaysian Ringgit	(4)	(4)	–	–
Indonesia Rupiah	(31)	(32)	–	–

The Company has a number of investments in foreign operations, whose net assets are exposed to foreign exchange translation risk.

Foreign currency sensitivity analysis

The table below demonstrates the sensitivity of the Group's and Company's loss before income tax to a reasonably possible change in the USD against SGD, with all other variable held constant.

	Group Impact to profit or loss	
	$'000 Strengthened by 10%	$'000 Weakened by 10%
At 30 June 2017 United States dollar	24	(24)
At 30 June 2016 United States dollar	4	(4)

	Company Impact to profit or loss	
	$'000 Strengthened by 10%	$'000 Weakened by 10%
At 30 June 2017 United States dollar	–	–
At 30 June 2016 United States dollar	(7)	7

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risk (Continued)

Interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

The Group's interest rate risks relate to interest-bearing liabilities.

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

The Group's interest rate risks arise primarily from the floating rate borrowings with financial institutions.

The Group does not use derivatives to hedge its interest rate risk.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risks for both derivatives and non-derivative instruments at the end of the financial year. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the financial year was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 1% change in the interest rates from the end of the financial year, with all variables held constant.

	Increase/(Decrease) in Profit or Loss			
	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Bank loans	–	4	–	4

Liquidity risk

Liquidity risk refers to the risk in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company monitor their liquidity risk and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of loan facilities.

The Group's operations are financed mainly through equity and borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

The repayment terms of the financial liabilities disclosed in Note 24 to these financial statements.

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on contractual undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or (pay). The table includes both interest and principal cash flows.

Group	**1 year or less**	**1 to 5 years**	**More than 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
2017				
Financial assets:				
Available-for-sale	2,222	–	–	2,222
Trade and other receivables	814	91	–	905
Other assets (excluding prepayments)	895	120	–	1,015
Cash and bank balances	20,165	–	–	20,165
	24,096	211	–	24,307
Financial liabilities:				
Financial liabilities	1,100	13,155	38	14,293
Trade and other payables and other liabilities	2,684	–	–	2,684
Accruals	1,222	–	–	1,222
	5,006	13,155	38	18,199
Total net undiscounted financial assets/ (liabilities)	19,090	(12,944)	(38)	6,108

Group	**1 year or less**	**1 to 5 years**	**More than 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
2016				
Financial assets:				
Available-for-sale	2,222	–	–	2,222
Trade and other receivables	3,620	1,036	–	4,656
Other assets (excluding prepayments)	1,390	–	–	1,390
Cash and bank balances	5,343	–	–	5,343
	12,575	1,036	–	13,611
Financial liabilities:				
Financial liabilities	8,906	492	–	9,398
Trade and other payables	3,039	–	–	3,039
Accruals	2,000	761	–	2,761
	13,945	1,253	–	15,198
Total net undiscounted financial liabilities	(1,370)	(217)	–	(1,587)

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Liquidity risk (Continued)

Company	**1 year or less $'000**	**1 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**
2017				
Financial assets:				
Available-for-sale	2,222	–	–	2,222
Trade and other receivables	66	–	–	66
Other assets (excluding prepayments)	74	140	–	214
Cash and bank balances	19,547	–	–	19,547
	21,909	140	–	22,049
Financial liabilities:				
Financial liabilities	1,100	13,155	38	14,293
Trade and other payables	87	–	–	87
Accruals	923	–	–	923
	2,110	13,155	38	15,303
Total net undiscounted financial assets/ (liabilities)	19,799	(13,015)	(38)	6,746

Company	**1 year or less $'000**	**1 to 5 years $'000**	**Total $'000**
2016			
Financial assets:			
Available-for-sale	2,222	–	2,222
Trade and other receivables	100	1,155	1,255
Other assets (excluding prepayments)	407	755	1,162
Cash and bank balances	4,520	–	4,520
	7,249	1,910	9,159
Financial liabilities:			
Financial liabilities	37	492	529
Trade and other payables	348	–	348
Accruals	383	176	559
	768	668	1,436
Total net undiscounted financial assets	6,481	1,242	7,723

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts is allocated to the earliest period in which the guarantee could be called.

Company	**1 year or less $'000**	**1 to 5 years $'000**	**Total $'000**
2017			
Corporate guarantee	853	–	853
2016			
Corporate guarantee	7,968	–	7,968

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statement of financial position, except for the following:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Loan and receivables	21,278	10,625	19,810	6,885
Financial liabilities at amortised cost	15,824	13,115	12,928	1,292

35. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

Capital is defined as share capital net of accumulated losses of the Group.

The Board's policy is to maintain a sound capital base to sustain the future development and expansion of the Group's business, so as to maintain investor, payable and market confidence.

The Board seeks to maintain a healthy level of borrowings with a view to optimise financial return to shareholder.

The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as total borrowings divided by equity. Total borrowings are "financial liabilities" as shown in the consolidated statement of financial position and equity is "equity" as shown in the consolidated statement of financial position.

The Group's strategy is to maintain the debt to equity ratio under 1.0.

The debt to equity ratios at 30 June are as follows:

	Group	
	2017 $'000	2016 $'000
Total borrowings	12,033	7,433
Equity	18,594	17,326
Debt to equity ratio	0.65	0.43

There was no change in the Group's approach to capital management during the financial year.

Externally imposed capital requirements for bank loans were complied with.

36. COMPARATIVE FIGURES

Certain restatements have been made to the prior year's financial statements. These relate to presenting the financial statement income and expenses by nature instead by function in view of significant changes and developments of the operations of the Group during the financial year. Additionally, when the operation of Equation Recycling Pte. Ltd. ("ERC") is classified as discontinued operations; the comparative consolidated statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

As a result, amendments have been made to certain notes to the financial statements to conform with current year's presentation. The items were restated as follows:

	Previously reported 2016 $'000	Restated 2016 $'000
Continuing operations		
Sales of goods	387	–
Services rendered	450	450
Revenue	837	450
Other income	3,052	1,573
Cost of services	(425)	(265)
Distribution expenses	(320)	–
Administrative expenses	(6,095)	–
Other expenses	(8,103)	–
Depreciation and amortisation expenses	–	(1,546)
Employee benefits expenses	–	(1,938)
Legal and professional expenses	–	(249)
Impairment losses	–	(7,442)
Loss on waiver of debts	–	(31)
Provision for legal liabilities	–	(522)
Operating lease expenses	–	(701)
Other expenses	–	(706)

STATISTICS OF SHAREHOLDINGS

AS AT 18 SEPTEMBER 2017

Number of Shares	:	10,038,683,403
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per Share
Number of Treasury Shares	:	Nil
Number of Subsidiary Holdings	:	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 18 SEPTEMBER 2017

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	43	0.49	950	0.00
100 – 1,000	358	4.08	314,032	0.00
1,001 – 10,000	2,732	31.12	16,819,751	0.17
10,001 – 1,000,000	5,140	58.54	828,611,295	8.25
1,000,001 and above	507	5.77	9,192,937,375	91.58
TOTAL	**8,780**	**100.00**	**10,038,683,403**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 18 SEPTEMBER 2017

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	MAYBANK KIM ENG SECURITIES PTE LTD	1,308,857,961	13.04
2	RAFFLES NOMINEES (PTE) LIMITED	1,238,930,500	12.34
3	CITIBANK NOMINEES SINGAPORE PTE LTD	679,486,400	6.77
4	TANG WEE LOKE	640,212,900	6.38
5	CHNG WENG WAH	590,970,850	5.89
6	OCBC SECURITIES PRIVATE LIMITED	228,672,150	2.28
7	TAN HUI SONG	220,000,146	2.19
8	DBS NOMINEES (PRIVATE) LIMITED	166,800,111	1.66
9	CHANG FOO HWA	166,076,200	1.65
10	DBSN SERVICES PTE LTD	139,653,400	1.39
11	CHEW CHING IDA MRS IDA LEONG	130,000,000	1.29
12	ANDREW CHAN SZE TIAK	122,255,000	1.22
13	TAN ENG CHUA EDWIN	119,571,900	1.19
14	TAN KOH YOUNG	108,500,000	1.08
15	UOB KAY HIAN PRIVATE LIMITED	100,728,100	1.00
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	84,636,600	0.84
17	TEO POH HUA AGNES	71,500,000	0.71
18	LEE BOON LEONG	70,000,000	0.70
19	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	68,378,250	0.68
20	SOH KHENG YEOW AUGUSTINE	59,919,000	0.60
	Total	**6,315,149,468**	**62.90**

SUBSTANTIAL SHAREHOLDERS AS AT 18 SEPTEMBER 2017

	Direct Interest		Deemed Interest		Total	
Substantial Shareholders	No. of Shares	%	No. of Shares	%	No. of Shares	%
Chng Weng Wah	590,970,850	5.89	463,050,000(1)	4.61	1,054,020,850	10.50
Starbids Ventures Inc.	–	–	463,050,000(2)	4.61	463,050,000	4.61
Tang Wee Loke	640,212,900	6.38	57,000,000(3)	0.57	697,212,900	6.95
Wang Yu Huei	–	–	1,109,335,600(4)	11.05	1,109,335,600	11.05

(1) This represents Mr. Chng Weng Wah's deemed interest of 463,050,000 shares held by his sole proprietorship, Starbids Ventures Inc..

(2) This represents Starbids Ventures Inc.'s deemed interest of 463,050,000 shares held through Citibank Nominees Singapore Pte. Ltd.

(3) This represents Mr. Tang Wee Loke's deemed interest of 55,000,000 shares held by his spouse and 2,000,000 shares held by his children.

(4) This represents Mr. Wang Yu Huei's deemed interest of 1,109,335,600 shares held through Raffles Nominees (Pte) Limited.

DIRECTORS' INTEREST IN SHARES AS AT 21 JULY 2017

According to the register maintained under Section 164 of the Companies Act, Chapter 50, the Directors had an interest in the shares of the Company on the 21st day after the end of the financial year as undernoted:

Director	Direct Interest		Deemed Interest		Total	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Chng Weng Wah	590,970,850	5.89	463,050,000(1)	4.61	1,054,020,850	10.50
Lau Kay Heng	–	–	–	–	–	–
Lim Soon Hock	–	–	–	–	–	–
Loh Eu Tse Derek	–	–	–	–	–	–
Kan Ah Chye	2,500,000	0.02	–	–	2,5000,000	0.02
Teo Khiam Chong	–	–	445,589,700(2)	4.44	445,589,700	4.44
Toh Hock Ghim	–	–	–	–	–	–

(1) This represents Mr. Chng Weng Wah's deemed interest of 463,050,000 Shares held by his sole proprietorship, Starbids Ventures Inc..

(2) This represents Mr. Teo Khiam Chong's deemed interest of 393,378,100 Shares held through Maybank Kim Eng Securities Pte Ltd and 52,211,600 shares held through Raffles Nominees (Pte) Limited.

PERCENTAGE OF SHAREHOLDING HELD BY PUBLIC

Based on the above available information, approximately 67.04% of the issued ordinary shares of the Company is held by the public as at 18 September 2017 and therefore, Rule 723 of the Rules of Catalist is complied with.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Forty-First Annual General Meeting of DISA Limited (formerly known as Equation Summit Limited) (the "Company") will be held at 2 Bukit Merah Central, Podium Block, Level 3, Room P301, Singapore 159835 on Friday, 27 October 2017 at 10:30 a.m. to transact the following business:–

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2017. **(Resolution 1)**

2. To approve Directors' fees of S$229,697 for the financial year ended 30 June 2017. (2016: S$213,000) **(Resolution 2)**

3. To re-elect the following Directors who would be retiring at the forthcoming Annual General Meeting pursuant to Article 93 of the Company's Constitution:

   (i) Mr. Loh Eu Tse Derek **(Resolution 3)**

   Mr. Loh Eu Tse Derek shall, upon re-election as Director of the Company, remain as a member of the Audit and Risk Management Committee, Nominating Committee and Remuneration Committee of the Company, and shall be considered independent for the purpose of Rule 704(7) of the Rules of Catalist.

   (ii) Mr. Lim Soon Hock **(Resolution 4)**

   Mr. Lim Soon Hock shall, upon re-election as Director of the Company, remain as a member of the Audit and Risk Management Committee, Nominating Committee and Remuneration Committee of the Company, and shall be considered a Non-Executive and Non-Independent Director.

4. To note the retirement of Mr. Teo Khiam Chong who is retiring pursuant to Article 93 of the Company's Constitution.

   Mr. Teo Khiam Chong will not be seeking re-election and will retire as Director of the Company on 27 October 2017 at the close of the Annual General Meeting.

5. To re-appoint Messrs Mazars LLP as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business of an Annual General Meeting of which due notice shall have been given.

SGX-ST: Singapore Exchange Securities Trading Limited
Rules of Catalist: Listing Manual Section B: Rules of Catalist of the SGX-ST

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as Ordinary Resolutions with or without modifications:–

7. **Authority to allot and issue shares**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Rules of Catalist, authority be and is hereby given to the Directors of the Company to:

   (A) (i) allot and issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit;

(B) (notwithstanding that the authority conferred by this Ordinary Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Ordinary Resolution was in force,

provided that:

(a) the aggregate number of Shares to be issued pursuant to this Ordinary Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) does not exceed 100% of the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings (as calculated in accordance with subparagraph (b) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) does not exceed 50% of the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (b) below);

(b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the percentage of issued share capital shall be based on the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings at the time of passing of this Ordinary Resolution, after adjusting for:

   (i) new Shares arising from the conversion or exercise of any convertible securities;

   (ii) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time which are outstanding or subsisting at the time of passing of this Ordinary Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

   (iii) any subsequent bonus issue, consolidation or subdivision of Shares;

(c) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST or the Sponsor) and the Constitution for the time being of the Company; and

(d) (unless revoked or varied by the Company in general meeting) the authority conferred by this Ordinary Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier; or (ii) in the case of Shares to be issued in pursuance of the instruments, made or granted pursuant to this Ordinary Resolution, until the issuance of such Shares in accordance with the terms of the Instruments."

(Resolution 6)

8. **Authority to grant options and to issue shares under the DISA Employee Share Option Scheme 2010 (the "DISA ESOS 2010") (formerly known as Equation Employee Share Option Scheme 2010) (the "ECL ESOS 2010")**

"That authority be and is hereby given to the Directors of the Company to offer and grant options in accordance with the provisions of the DISA ESOS 2010 and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the DISA ESOS 2010, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of new shares to be allotted and issued pursuant to the DISA ESOS 2010 and DISA Performance Shares Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time, as determined in accordance with the provisions of the DISA ESOS 2010."

(Resolution 7)

9. **Authority to issue shares under DISA Performance Shares Scheme (the "DISA PS Scheme") (formerly known as Equation Performance Shares Scheme) (the "ECL PS Scheme")**

"That authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of fully paid-up shares as may be required to be allotted and issued pursuant to the vesting of awards under the DISA PS Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of shares to be allotted and issued pursuant to the DISA PS Scheme and any other share based schemes (including the DISA ESOS 2010) of the Company shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time."

(Resolution 8)

10. **Renewal of Share Purchase Mandate**

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50 ("**Act**"), the Directors of the Company be and are hereby authorised to purchase or otherwise acquire from time to time issued ordinary shares in the capital of the Company ("**Shares**"), up to a maximum of ten per cent. (10%) of the issued ordinary share capital of the Company as at the date of the passing of this Ordinary Resolution at such price or prices as may be determined by the Directors from time to time at their discretion, up to but not exceeding the Maximum Price (as hereafter defined), and such purchases and acquisitions of the Shares may be effected by way of:

(i) On-market purchases ("**Market Purchases**") transacted on the SGX-ST through the ready market trading system through one or more duly licensed stockbrokers or dealers appointed by the Company for the purpose; and/or

(ii) Off-market purchases ("**Off-Market Purchases**") effected otherwise than on the SGX-ST in accordance with an equal access scheme(s) available to all Shareholders, as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act and the Rules of Catalist.

("**Share Purchase Mandate**");

(b) the authority conferred on the Directors pursuant to the Share Purchase Mandate, unless varied or revoked by the Company in general meeting, may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Ordinary Resolution:

"**Average Closing Price**" means the average of the last dealt prices (excluding any transaction that the SGX-ST requires to be excluded for this purpose) of a Share for the five (5) consecutive Market Days on which the Shares are transacted on SGX-ST, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (pursuant to an Off-Market Purchase), and deemed to be adjusted, in accordance with the Rules of Catalist, for any corporate action which occurs after the relevant five-day period;

"**date of the making of the offer**" means the date on which the Company makes an offer for the purchase or acquisition of Shares from Shareholders, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Market Day**" means a day on which SGX-ST is open for securities trading; and

"**Maximum Price**" means the purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for a Share to be purchased or acquired from Shareholders as determined by the Directors, which shall not exceed (i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price of the Shares; and (ii) in the case of an Off-Market Purchase, one hundred and ten per cent.(110%) of the Average Closing Price of the Shares; and

(d) the Directors and each of them be authorised and empowered to complete and do and execute all such things and acts (including, without limitation, executing all such documents as may be required) as they or he may think necessary or expedient to give effect to this Ordinary Resolution, with such modifications thereto (if any) as they or he shall think fit in the interests of the Company." **(Resolution 9)**

11. **The proposed ratification of the Board's decision not to proceed with the proposed share consolidation**

That:

(a) the decision of the board of Directors not to proceed with the proposed consolidation of every fifty existing issued ordinary shares in the Company into one ordinary share in the capital of the Company (the "**Proposed Share Consolidation**"), as approved by shareholders of the Company at its extraordinary general meeting held on 13 February 2017, be and is hereby approved, confirmed and ratified; and

(b) the Directors and each of them be authorised and empowered to complete and do and execute all such things and acts (including, without limitation, executing all such documents as may be required) as they or he may think necessary or expedient to give effect to this Ordinary Resolution, with such modifications thereto (if any) as they or he shall think fit in the interests of the Company. **(Resolution 10)**

By Order of the Board
Chng Weng Wah
Director

Date: 12 October 2017

Statement Pursuant to Article 54 of the Company's Constitution

The effect of the resolutions under the heading "Special Business" in this Notice of the Annual General Meeting are:–

(a) The Ordinary Resolution 6 above, if passed, will empower the Directors from the date of passing of the Resolution until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 100% of the issued shares in the capital of the Company excluding treasury shares and subsidiary holdings, of which up to 50% may be issued other than on a pro rata basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time that Ordinary Resolution 6 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 6 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

(b) The Ordinary Resolution 7 above, if passed, will empower the Directors of the Company from the date of passing of the Resolution until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to held or when varied or revoked by the Company in general meeting, whichever is the earlier, to grant options under the DISA ESOS 2010 which was approved at the Extraordinary General Meeting of the Company on 28 October 2010, and to allot and issue shares upon the exercise of such options granted in accordance with the DISA ESOS 2010 not exceeding 15% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company from time to time.

(c) The Ordinary Resolution 8 above, if passed, will empower the Directors of the Company from the date of passing of this Ordinary Resolution until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards under the DISA PS Scheme up to a number not exceeding in total (for the entire duration of the DISA PS Scheme) 15% of the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company from time to time.

The aggregate number of ordinary shares which may be allotted and issued pursuant to the DISA PS Scheme and under any other share incentive scheme or share plan adopted by the Company for the time being in force, is limited to fifteen per centum. (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.

(d) The Ordinary Resolution 9 above, if passed, will empower the Directors of the Company to repurchase or acquire other ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company as at the date of the Annual General Meeting at which this Ordinary Resolution is passed. The rationale for, the authority and limitation on, the sources of the funds to be used for the purchase or acquisition, including the amount of financing and financial effects of the purchase or acquisition of the ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Group for the financial year ended 30 June 2017 are set out in greater detail in the Letter to Shareholders dated 12 October 2017 attached to this Annual Report.

(e) "The Ordinary Resolution 10 above, if passed, will ratify the Board's decision not to proceed with the Proposed Share Consolidation which had been earlier approved by shareholders of the Company at its extraordinary general meeting held on 13 February 2017 ("**Proposed Ratification**"). The rationale for the Proposed Ratification is set out in greater detail in the Letter to Shareholders dated 12 October 2017 attached to this Annual Report."

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the annual general meeting ("**Meeting**") of the Company.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

2. A proxy need not be a member of the Company.

3. A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on his behalf.

4. The instrument appointing a proxy or proxies must be deposited at the principal place of business of the Company at Blk 1001, Jalan Bukit Merah, #06-11, Singapore 159455 not less than forty-eight (48) hours before the time appointed for holding the Meeting of the Company.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

This notice has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this notice.

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Mr Ong Hwee Li (Telephone: 65 6532 3829) at 1 Robinson Road, #21-02, AIA Tower, Singapore 048542.

This page has been intentionally left blank

DISA LIMITED
(formerly known as Equation Summit Limited)
(Company Registration No. 197501110N)
(Incorporated in the Republic of Singapore)

IMPORTANT
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY.**
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this form)

I/We* ________________________________ (Name) ______________ (NRIC/Passport No.*)

of ____ (Address)

being a Member/Members* of DISA Limited ("**Company**"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

and/or*

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting (the "**Meeting**") of the Company, to be held at 2 Bukit Merah Central, Podium Block, Level 3, Room P301, Singapore 159835 on Friday, 27 October 2017 at 10.30 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specified direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/her/their* discretion, as he/she/they* will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Ordinary Resolutions	For	Against
1.	Directors' Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2017.		
2.	Approval of Directors' fees of S$229,697 for the financial year ended 30 June 2017. (2016: S$213,000)		
3.	Re-election of Mr. Loh Eu Tse Derek as Director of the Company.		
4.	Re-election of Mr. Lim Soon Hock as Director of the Company.		
5.	Re-appointment of Messrs Mazars LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	Authority to allot and issue shares.		
7.	Authority to grant options and issue shares under the DISA Employee Share Option Scheme 2010.		
8.	Authority to issue shares under DISA Performance Shares Scheme.		
9.	Renewal of Share Purchase Mandate.		
10.	The Proposed Ratification of the Board's decision not to proceed with the Proposed Share Consolidation.		

Notes: If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes "For" or "Against" for each resolution.

Dated this ________ day of ______________ 2017

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Member(s) or, Common Seal of Corporate Member

* *Delete accordingly*

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

AFFIX
STAMP

DISA LIMITED
Block 1001 Jalan Bukit Merah
#06-11, Redhill Industrial Estate
Singapore 159455

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the principal place of business of the Company at Blk 1001, Jalan Bukit Merah, #06-11, Singapore 159455 not less than forty-eight (48) hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 October 2017.

DISA LIMITED
Co.Reg.No. 197501110N
Block 1001 Jalan Bukit Merah,
#06-11, Redhill Industrial Estate
Singapore 159455
Tel: +65 6270 7080
Fax: +65 6270 7106
www.DiSa.sg