Equation Summit Limited

EQUATION SUMMIT 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.eqsummit.sg

EQUATION SUMMIT LIMITED

ANNUAL REPORT 2016

Equation Summit Limited

GROWING OUR PRESENCE

ANNUAL REPORT 2016

CONTENTS

On the Cover: **GROWING OUR PRESENCE,** an abstract & graphic approach with movement to project growth and dynamism of the company. It projects the driving force behind the Company's vision of building presence, value and long-term growth.

All figures in this Annual Report are in Singapore dollars unless otherwise indicated.

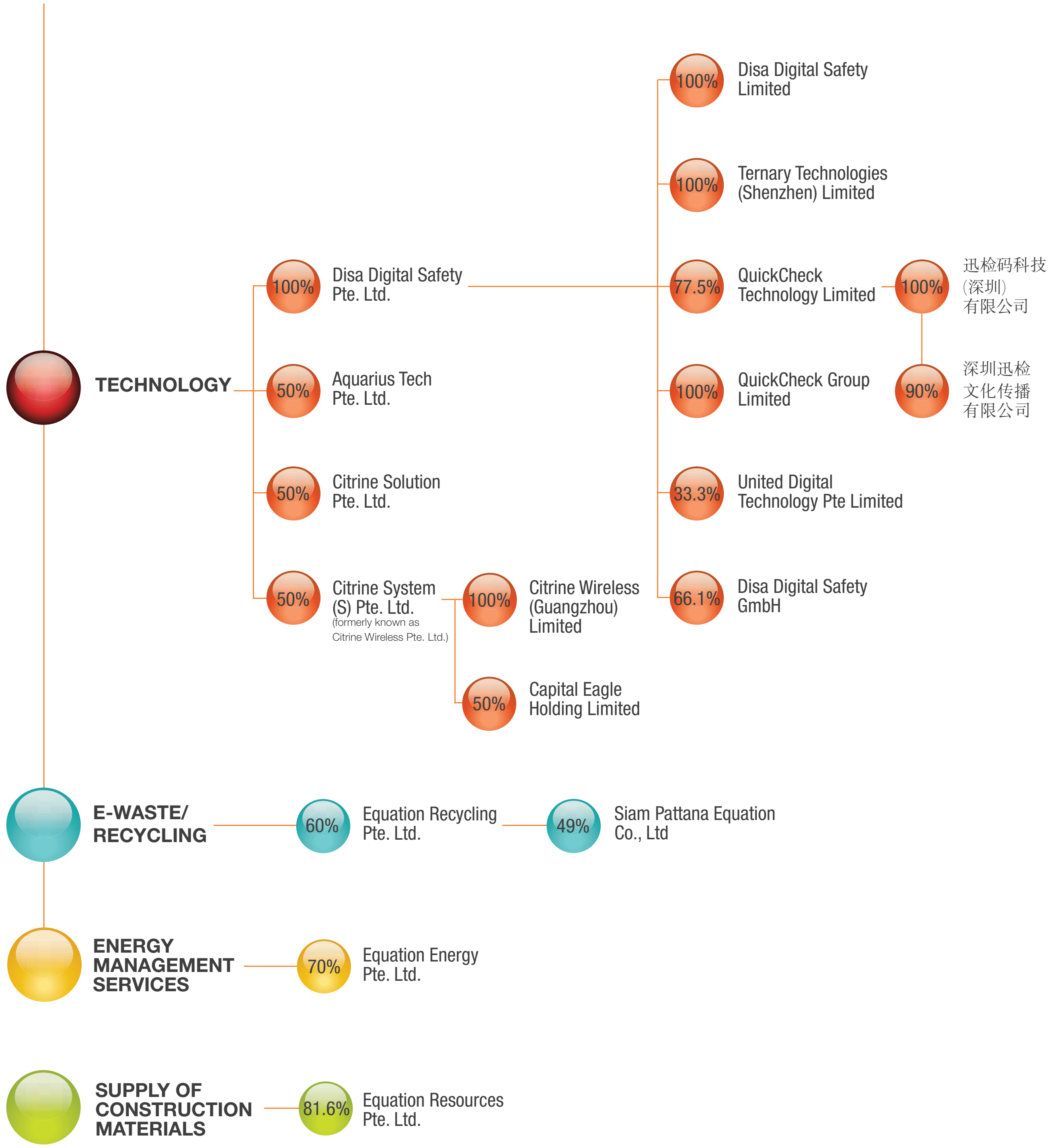
This annual report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's Sponsor has not independently 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, at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542, telephone +65 6532 3829.

CORPORATE STRUCTURE

AS AT 30 JUNE 2016

Equation Summit Limited



CORPORATE PROFILE

EQUATION SUMMIT LIMITED

Equation Summit Limited ("Equation Group" or the "Group") is an investment holding company listed on the SGX Catalist since 1992.

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, Equation Group operates in four core business segments, which include Energy Management Services, E-waste/ Recycling, Technology 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 Equation Summit Limited that specializes in research and development of cutting-edge security ("DiSa Asset Protection") and digital authentication ("QuickCheck") solutions.

DiSa Asset Protection

DiSa Asset Protection, the world's first anti-theft protection technology uses encrypted codes on consumer electronic products. DiSa Asset Protection allows the manufacturers and retailers of consumer electronic products to prevent theft by integrating DiSa Asset Protection code into their products during the manufacturing process by making it inoperable at the point of manufacturing until the point of payment at retail stores.

DiSa Asset Protection has won several awards for technology innovation including two recognition of Achievement Awards for its innovative features at the 2009 Plus X Award Technology Conference in Cologne, Germany.

DDSPL has signed an evaluation agreement with Wal-Mart Store Inc. ("Wal-Mart") on 16 May 2016 to define the partnership, roles and responsibilities for a proof of concept ("PoC") for Point-of-Sale Activation ("PoSA") at Wal-Mart. The PoC has commenced on 7 September 2016. Wal-Mart is an American multinational retail corporation that operates a chain of discount department stores and warehouse stores. It is the world's biggest retailer with 11,500 stores worldwide.

DiSa
... simply safe!

QuickCheck

Developed by DDSPL, QuickCheck is a digital authentication solution that is capable of verifying the authenticity of a product instantaneously. It allows the consumers to validate the authenticity of a product in real time prior to a purchase decision via their own devices. This is done through the scanning of a unique barcode ("QC Code") that is pasted or printed on the packaging of the products. All it takes to authenticate is a smart phone with location service.

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

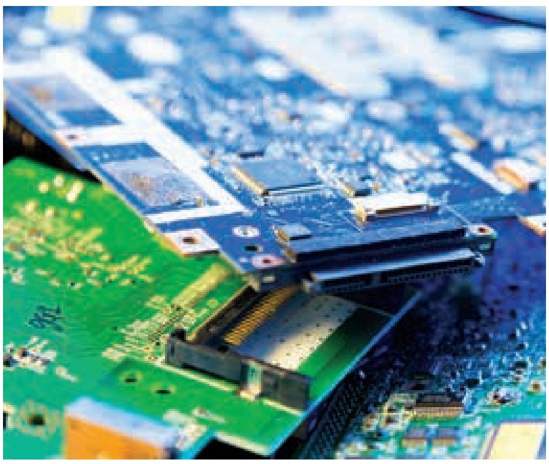
SUPPLY OF CONSTRUCTION MATERIALS

Equation Resources Pte. Ltd. ("ERPL") is in the business of supplying and trading of construction materials including sand, granite and coal. The company owns 100% rights to granite reserves in an Indonesian quarry 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.

E-WASTE/RECYCLING

Equation Recycling Pte. Ltd. ("ERC") is a fully-integrated provider of environmentally safe processing of obsolete, excess of life commercial, industrial and consumer electrical, and electronic equipment and consumables. Benchmarked against world-class standards, ERC is focused on leading the recycling and recovery industry towards further innovation on waste management technology and recovery processes to maximise value for its clients, and for a sustainable, cleaner and greener future.

ERC is committed to its policy for Quality, Environmental, Health and Safety. It is dedicated to working with its clients to provide quality recycling services for optimal waste management and recovery while ensuring proper and effective management of potential hazards in its operations. This is achieved through automated monitoring systems to identify and assess processes for the implementation of appropriate control measures. The company's process is bizSAFE 3 accredited. Being regularly assessed and audited will ensure that quality, environment, health and safety considerations are strictly followed. ERC is recognising the importance of environmental issues, will continuously evaluate to ensure compliance to applicable legal requirements, industry standards and voluntary agreements.



LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

The past year has seen the continuation of previous year's global economy slowdown as the global oil market remains oversupplied. The political uncertainty caused by Britain's exit from the European Union coupled with the impending United States presidential election, has caused economic recovery to remain slow amid the many uncertainties. Falling commodity prices and sluggish demand have resulted in a scale down of China companies' expansion. This lack of business confidence among private companies has emerged as one of the most worrying trends for China's economy, the world's second largest[1]. Compounding the lacklustre economy was the increased terrorist activities in both Asia and Europe which have created even more tension that may hamper business expansion. In the face of such trying times, we shall stay upbeat and will keep a keen eye on uncharted waters primarily on the technology segment which we believe is ever-evolving.

FY2016 FINANCIAL HIGHLIGHTS

The Group's revenue from continuing operations decreased by 20.3% to $837,000 for the financial year ended 30 June 2016 ("FY2016") as compared to $1,050,000 for the financial year ended 30 June 2015 ("FY2015"). The lower revenue was attributed to decrease in E-waste/Recycling and Energy Management Services segments.

With lower revenue, gross profit declined 9.5% from $455,000 in FY2015 to $412,000 in FY2016. Gross profit margin, however, increased year-on-year, from 43.3% in FY2015 to 49.2% in FY2016. The higher gross profit margin recorded in this period was mainly contributed by the Energy Management Services.

Distribution and administrative expenses decreased by 3.9% and 16.2% respectively in FY2016. Lower distribution expenses were mainly due to lower entertainment expense and lower freight and handling costs partially offset by increase in research and development expense, telephone charges and travelling expense while the decreased administrative expenses were on account of lower staff costs including directors' remuneration as a result of cost-cutting measures, lower audit fee, lower depreciation and amortisation, lower legal and professional fees and net foreign exchange gain.

Other expenses increased by $7,864,000 from $239,000 in FY2015 to $8,103,000 in FY2016. Higher other expenses were mainly due to impairment loss on prepayment for rights, interest in and ownership of granite, impairment loss on trade and other receivables and provision for litigation costs and other legal proceedings.

1 Available: The Straits Times, Singapore, 29 August 2016,"Scrambling to arrest rapid decline in private investment"

LEFT:
TOH HOCK GHIM
Chairman

RIGHT:
CHNG WENG WAH
Chief Executive Officer

LETTER TO SHAREHOLDERS

The Group recorded a net loss from continuing operations of $11,734,000 in FY2016 as compared to a net loss of $5,306,000 in FY2015.

The Group maintained cash and bank balances of $5,343,000 as at 30 June 2016 (as at 30 June 2015: $6,858,000). Total liabilities decreased by $1,240,000 from $17,283,000 as at 30 June 2015 to $16,043,000 as at 30 June 2016 due to decreases in financial liabilities, deferred tax liabilities, accruals and trade and other payables offset by increase in provision of other liabilities and charges. Consequently, the Group's debt to equity ratio stood at 0.43 in FY2016 as compared to 0.31 in FY2015.

CAPITALISATION ON GOVERNMENT PUSH FOR INTERNET TECHNOLOGY IN TERMS OF SUSTAINABILITY AND GROWTH

Technology

The Singapore government has been actively promoting internet technology ("IT") as the focus of the future growth of our economy. Currently, there are IT incentives in place to help aspiring local firms to set up operations in this segment. E-commerce has seen exponential growth worldwide especially in China, where it is one of the strong driving forces of China's growth.

The Group's joint venture company, Citrine System (S) Pte Ltd (formerly known as Citrine Wireless Pte. Ltd.) ("Citrine"), a technology solutions provider for mobile devices, has completed its development on mobile technology focusing on "connected cars". Our "Internet of Things" ("IoT") hardware can be used in cars where many services can be provided such as drivers' analysis, engine and battery usage status.

With such technology, Citrine is making good progress in the motor telematics insurance industry and such services are scalable within Asia. The target clients are fleet owners and insurance companies. The insurance industry is re-inventing itself through the use of technology. Using our app and IoT, insurance companies can access driving behaviour of vehicle owners which can mitigate their risk of underwriting. This trend is gaining traction globally and is sweeping through every insurance company. Citrine is at the right time with the right technology offering and we will continue to progress in this area.

Separately, our wholly owned subsidiary, Disa Digital Safety Pte Ltd ("Disa") is making very good progress with its implementation of the asset protection technology ("Disa solution") in the United States of America. Disa will be carrying out more proof-of-concept ("POC") with Wal-Mart Store Inc. ("Wal-Mart"). The Disa solution model is scalable since suppliers are charged on per item basis while Disa leverages on retailers' strength by offering the model free of charge to them. All retailers suffer from theft and Disa solution is a solution that can lock all smart devices at its source (which is the factories).

We expect to see more POC and deployment of our asset protection technology in the near future with other retailers when the POC with Wal-Mart succeeds.

STREAMLINING BUSINESSES FOR BETTER EFFICIENCY

The Group still continue to focus on growing our technology segment while the other segments will continue to serve the existing customers and at a same time keep a lookout for new opportunities in our bid to streamline our businesses for better utilisation of available resources.

SUPPLY OF CONSTRUCTION MATERIAL

Despite the various property cooling measures being put in place, the demand for private housing, though remains low, has yet to come to a standstill. The Group will thus remain open to opportunities which might benefit this business segment in the future.

ENERGY MANAGEMENT SERVICES AND E-WASTE/ RECYCLING

The Energy Management Services segment registered lower revenue in FY2016 mainly on account of lower revenue generated from consultancy services. The E-waste/Recycling segment had also recorded lower revenue due to lower rate of collection of recycled materials from suppliers. The Group also remains open to new opportunities for these two business segments.

LETTER TO SHAREHOLDERS

OUTLOOK FOR FINANCIAL YEAR 2017 ("FY2017")

The global economy outlook in the coming year is still highly uncertain. The chairman of the United States of America's Federal Reserve has indicated that the case for an interest rate hike has strengthened in view of improved labour market and expectations for moderate economic growth[2]. Singapore, being a trade partner of the United States, is also dependent on its growth forecast. Coupled with geo-political threats in the Middle East and the still depressed oil market, it is a very challenging task to keep up with the Group's strategy. Despite this outlook, we are confident in our strategy which focuses on developing revolutionary technology to enable the Group to achieve long term growth.

APPRECIATION TO ALL

On behalf of the Board, we would like to extend our appreciation to the management and staff for their commitment during this trying year. We would also like to express our thanks to our shareholders, our clients and business partners for the continued support and belief in the direction of the Group and in its leaders.

We look forward to making a breakthrough in the technology segment. FY2017 will be an exciting year for the Group as our collaboration with Wal-Mart is coming to fruition in months to come. Challenges amid a slower global economy might turn them into unexpected opportunities thus we remain confident of our ability to seek out the hidden gems in the new financial year.

Toh Hock Ghim
Chairman

Chng Weng Wah
Chief Executive Officer

2 Available: The Straits Times, Singapore, 27 August 2016, "Stronger case now for interest rate hike: Yellen"

BOARD OF DIRECTORS

TOH HOCK GHIM

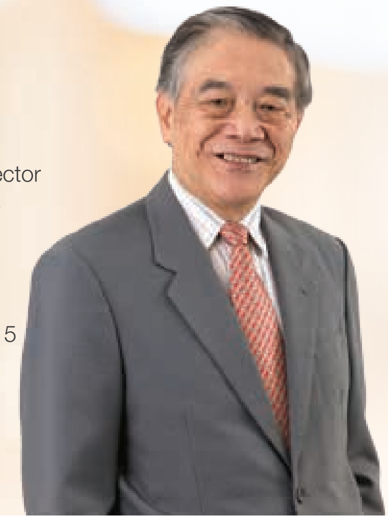
Chairman, Non-Executive and Independent Director
Chairman, Board of Directors
Chairman, Nominating Committee
Member, Audit Committee and Remuneration Committee
First appointed on 11 January 2008
Last re-elected on 30 November 2015

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 four other listed companies.

CHNG WENG WAH

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

Mr. Chng joined Equation Summit 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 Asia Europe Young Entrepreneurs Award at the Berlin Asia Europe Young Entrepreneurs Forum. Mr. Chng also sits on the Board of LifeBrand Limited as its Group Chief Executive Office and Executive Director as well as the Board of AGV Group Limited as its non-executive director.



KAN AH CHYE

Non-Executive and Independent Director
Chairman, Remuneration Committee
Member, Audit Committee and Nominating Committee
First appointed on 12 February 2012
Last re-elected on 30 November 2015

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.

BOARD OF DIRECTORS

LAU KAY HENG

Non-Executive and Independent Director
Chairman, Audit Committee
Member, Remuneration Committee and Nominating Committee
First appointed on 1 September 2011
Last re-elected on 30 October 2014

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 the lead independent director of Cacola Furniture International Limited as well as 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.

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

Director	**Directorships/Chairmanships in other Listed Companies (present & held over preceding 3 years)**	
	Over preceding 3 years	Present
Toh Hock Ghim	None	As an Independent Director in • *FDG Kinetic Limited (formerly known as CIAM Group Limited)* • *CEFC International Limited* • *LifeBrandz Ltd* • *AGV Group Limited*
Chng Weng Wah	None	As Director and CEO in • *LifeBrandz Ltd* As Non-Executive Director in • *AGV Group limited*
Kan Ah Chye	None	As an Independent Director in • *Compact Metal Industries Ltd.*
Lau Kay Heng	None	As an Independent Director in • *Cacola Furniture International Limited* • *Premiere Eastern Energy Limited* As a Chairman in • *iBosses Corporation Limited*

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 and is a Chartered Accountant ("CA Singapore") of the Institute of Singapore Chartered Accountants ("ISCA").

CHOW SOU CHIAN LARRY

Chief Executive Officer of Disa Digital Safety Pte. Ltd. ("DDSPL")

Mr. Chow was appointed as the Chief Executive Officer of DDSPL in February 2006. His responsibilities include overseeing the DDSPL Group's strategic directions and development. Mr. Chow has more than 20 years of experience in sales, marketing and distribution of consumer electronics products. He has built up a wide network of distribution contacts for consumer electronics products in the PRC and Europe. Prior to joining DDSPL, Mr. Chow was the chief operating officer of Serial Systems Ltd, from 1990 to 2001.

WONG AH KIOW

Financial Controller of Disa Digital Safety Pte. Ltd.

Ms. Wong was appointed in August 2010. She is a Chartered Accountant with Institute of Singapore Chartered Accountants. 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.

TAN BOON HWEE

Vice-President of Equation Recycling Pte. Ltd. ("ERC")

Mr. Tan was appointed as Vice-President in March 2006. He has worked in local and listed companies, with more than 20 years of experience in sales, marketing and business development. Mr. Tan is responsible for the strategic business development and operations of ERC.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Independent Non-Executive Director
Toh Hock Ghim

Independent Non-Executive Directors
Lau Kay Heng
Kan Ah Chye

Executive Director
Chng Weng Wah (Chief Executive Officer)

AUDIT COMMITTEE

Lau Kay Heng (Committee Chairman)
Toh Hock Ghim
Kan Ah Chye

NOMINATING COMMITTEE

Toh Hock Ghim (Committee Chairman)
Lau Kay Heng
Kan Ah Chye

REMUNERATION COMMITTEE

Kan Ah Chye (Committee Chairman)
Lau Kay Heng
Toh Hock Ghim

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 ADVISERS

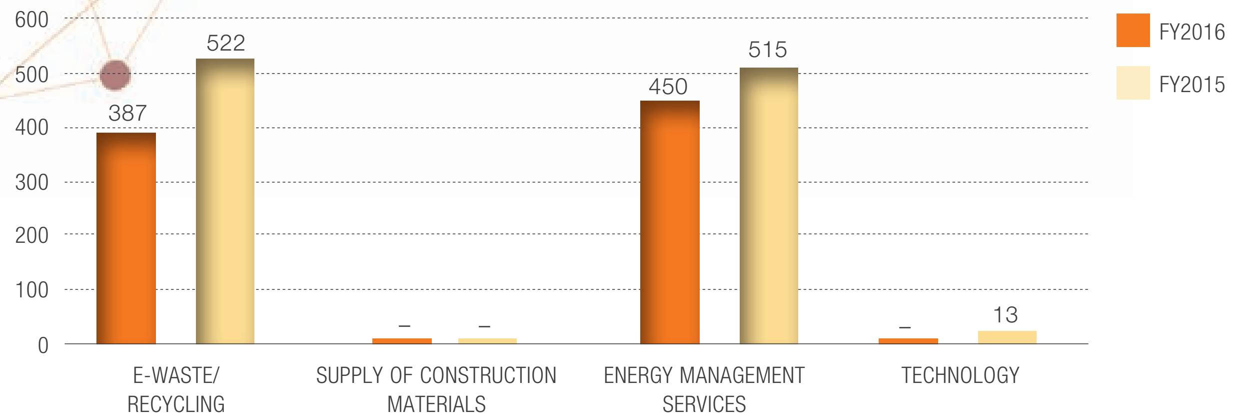
Bih Li & Lee, Singapore
Colin Ng & Partners LLP, Singapore

PRINCIPAL BANKERS

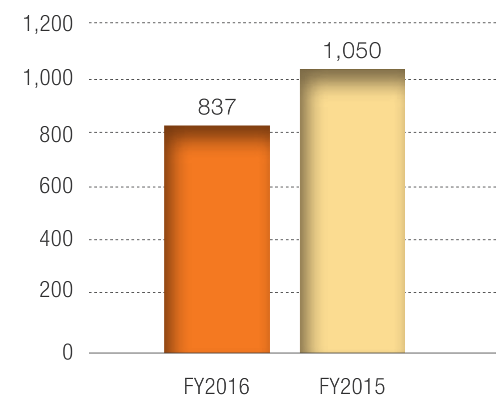
The Development Bank of Singapore
United Overseas Bank Limited, Singapore
China Merchants Bank (Shenzhen), People's Republic of China
The Hongkong and Shanghai Banking Corporation Limited, Hong Kong

FINANCIAL HIGHLIGHTS

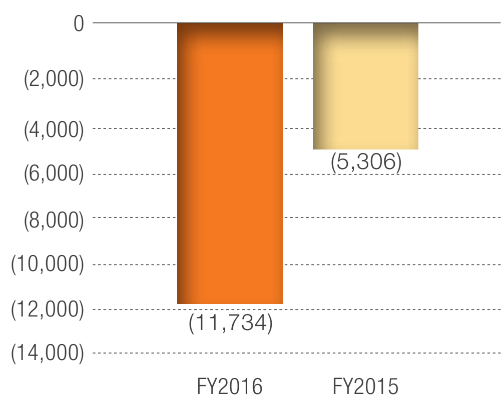
REVENUE – SEGMENT ($'000)



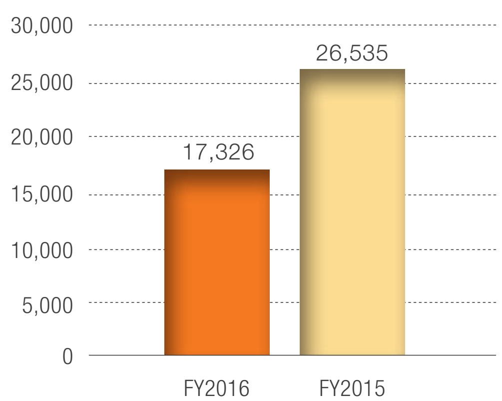
GROUP REVENUE ($'000)



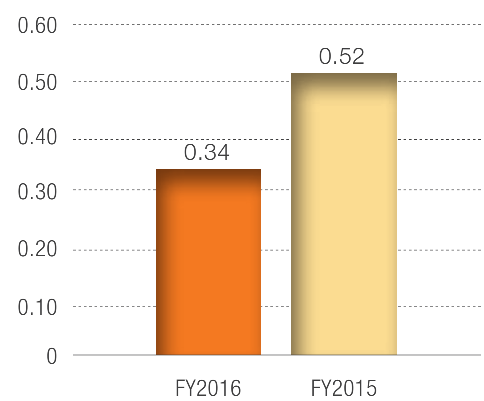
LOSS AFTER TAX ($'000)



NET ASSETS ($'000)



NET ASSETS VALUE PER SHARE (CENTS)



OPERATING AND FINANCIAL REVIEW

CONTINUING OPERATIONS REVENUE

The Group's revenue decreased by $213,000 (20.3%) from $1,050,000 for the financial year ended 30 June 2015 ("**FY2015**") to $837,000 for the financial year ended 30 June 2016 ("**FY2016**"). The decrease was attributable to decrease in sales in E-waste/Recycling segment and Energy Management Services segment. The decrease in sales in E-waste/Recycling segment was mainly due to lower rate of collection of recycled materials from suppliers while the decrease in sales in Energy Management Services segment was mainly due to lower revenue generated from consultancy services.

GROSS PROFIT

The Group recorded a gross profit of $412,000 for the full year in FY2016 compared to $455,000 in FY2015.

OTHER INCOME

Other income increased by $515,000 from $2,537,000 in FY2015 to $3,052,000 in FY2016, mainly attributable to reversal of long outstanding payables and overstated accruals of $699,000; cash received from a liquidated subsidiary of $149,000 and net amount received from winning a lawsuit of $102,000. The various increases were partially offset by decrease in storage income of $414,000 from the use of one of the Company's subsidiary's storage facilities and decrease in income earned from transportation and container charges of $47,000.

EXPENSES

Distribution expenses decreased by $13,000 from $333,000 in FY2015 to $320,000 in FY2016, mainly attributable to lower freight and handling costs of $32,000 and lower entertainment expense of $5,000; partially offset by increase in research and development expense of $8,000; telephone charges of $6,000 and travelling expense of $10,000.

Administrative expenses decreased by $1,174,000 from $7,269,000 in FY2015 to $6,095,000 in FY2016, mainly due to lower directors' remuneration and staff costs of $102,000 as a result of cost-cutting measures and a reduction in the head count; lower audit fee of $120,000; lower amortisation and depreciation expenses of $81,000 due to certain assets being fully depreciated; lower dues and subscriptions membership of $14,000; lower entertainment expense of $34,000; lower legal and professional fees of $104,000 as a result of the discharge of legal cases in favour of the Company; lower transportation and travelling expenses of $39,000; lower telephone expense of $12,000; lower fees paid in relation to the upkeep of premises of $30,000; foreign currency movement of net gain of $562,000; new share options of $54,000 being granted during FY2015; and other miscellaneous administrative expenses of $22,000.

Other expenses increased by $7,864,000 from $239,000 in FY2015 to $8,103,000 in FY2016, mainly due to impairment loss on prepayment for rights, interest in and ownership of granite of $5,000,000; impairment loss on trade and other receivables of $2,472,000; and provision for litigation costs and other legal proceedings of $522,000.

Share of results of joint ventures represents the Group's share of results in Citrine System (S) Pte Ltd, Citrine Solution Pte Ltd and Aquarius Tech Pte Ltd.

LOSS AFTER TAX

As a result of the above, a net loss from continuing operations of $11,734,000 million was recorded in FY2016 as compared to a net loss of $5,306,000 in FY2015.

FINANCIAL POSITION

The Group's total assets decreased by $10,449,000 from $43,818,000 as at 30 June 2015 to $33,369,000 as at 30 June 2016, mainly due to the following:

i) Intangible assets pertaining to the core technology of Disa Asset Protection decreased by $1,404,000, mainly due to amortisation charge for the financial year.

ii) Financial assets, available-for-sale was pertaining to the investment in redeemable preference shares of an investee whose principal activity is property development. The Company has reclassified this investment from non-current assets to current assets as at 30 June 2016 as the investment is expected to be redeemed within next 12 months.

iii) Other non-current assets decreased by $5,287,000 from $11,346,000 as at 30 June 2015 to $6,059,000 as at 30 June 2016. This was mainly due to full amortisation of prepayment for rights on use of plant and machinery; impairment loss on prepayment for the rights, interest in and ownership of granite of $5,000,000 and reclassification of loan to a third party of $210,000 for the financial year.

iv) Total trade and other receivables decreased by $2,233,000, mainly due to impairment loss on trade and other receivables of $2,472,000 for the financial year.

OPERATING AND FINANCIAL REVIEW

v) Other current assets increased by $115,000 from $1,452,000 as at 30 June 2015 to $1,567,000 as at 30 June 2016. This was mainly due to reclassification of long-term loan to a third party.

vi) Decrease in cash and cash equivalents of $1,515,000, which will be explained under "Cash Flows" section.

Total liabilities of the Group decreased by $1,240,000 from $17,283,000 as at 30 June 2015 to $16,043,000 as at 30 June 2016, and were mainly due to the following:

i) Total financial liabilities decreased by $739,000, mainly due to loans repayment of $863,000 and repayment of finance lease of $67,000 during the financial year; partially offset by increase in interest payable of $191,000 on convertible loans from the Sculptor Investors for the financial year.

ii) Deferred tax liabilities decreased by $239,000, mainly due to reversal of amortisation charge for the financial year.

iii) Trade and other payables decreased by $497,000, mainly due to reversal of long outstanding payables of $193,000 and repayment of creditors of $304,000 during the financial year.

iv) Total accruals decreased by $275,000 from $3,036,000 as at 30 June 2015 to $2,761,000 as at 30 June 2016. This was mainly due to decrease in accrued operating expenses of $192,000 and reversal of overstated accruals of $494,000; partially offset against increase in accrued interests of $366,000 on convertible and unsecured loans as well as accrued staff costs of $45,000 for the financial year.

v) Provision for other liabilities and charges increased by $510,000, mainly due to provision for litigation costs and other legal proceedings of $522,000 for the financial year.

The Group recorded a net asset of $17,326,000 as at 30 June 2016 as compared to a net asset of $26,535,000 as at 30 June 2015.

CASH FLOWS

Cash and cash equivalents (net of overdraft and deposits placed with a bank as security) decreased by $1,515,000 from $6,858,000 as at 30 June 2015 to $5,343,000 as at 30 June 2016.

Net cash used in operating activities was $3,128,000 in FY2016, compared to $2,256,000 for FY2015.

Net cash from investing activities was $122,000 for FY2016. This was mainly due to interest received of $132,000.

Net cash generated from financing activities was $1,468,000 for FY2016. This was mainly due to net proceeds from issuance of warrants. This was offset by interest paid, repayment of finance lease, repayment of loan to a third party and repayment of borrowings.

CORPORATE GOVERNANCE REPORT

Equation Summit Limited (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 report describes the Company's corporate governance processes and activities for the financial year ended 30 June 2016 ("FY2016"), with specific references made to the principles and guidelines of the Code of Corporate Governance 2012 ("Code"). The Board confirms that for FY2016, 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 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	Equation'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 the 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 Committee ("AC"), 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 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 report.

CORPORATE GOVERNANCE REPORT

Guidelines of the Code	Equation'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 regular 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 allow a board meeting to be conducted by way of tele-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		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*	4	2	4	2	1	0	1	0
Chng Weng Wah	4	4	NA**	NA	NA	NA	NA	NA
Lau Kay Heng*	4	4	4	4	1	1	1	1
Kan Ah Chye*	4	3	4	3	1	1	1	1

** Independent Director*
*** NA – Not Applicable*

Guidelines of the Code	Equation'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 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 or other electronic communication facilities to review and consider 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; and • overseeing the implementation of appropriate systems to manage the Group's business risk.

CORPORATE GOVERNANCE REPORT

Guidelines of the Code	Equation'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 will also receive training in areas such as accounting, legal and industry specific knowledge as well as undergo training on the roles and responsibilities as directors of a listed company. There was no new Director appointed in FY2016. From time to time, the Directors are briefed on the new accounting standards and corporate governance practices as well as updates 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 an available budget for Directors to receive further relevant training in connection with their duties. Relevant courses include programmes conducted by the Singapore Institute of Director or other training institutions. During FY2016, the AC members attended the training on developments in accounting and governance standards. The Executive Directors also updated 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	Equation'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.	The Board comprises one Executive Director and three Independent and Non-Executive Directors as follows: Independent Non-Executive Directors Mr. Toh Hock Ghim (Chairman) Mr. Kan Ah Chye Mr. Lau Kay Heng Executive Director and Chief Executive Officer Mr. Chng Weng Wah Currently, the Board has a strong and independent element as three out of four board members, including the Chairman of the Board are considered independent. This enables the Board to exercise independent judgement on corporate affairs and provide Management with a diverse and objective perspective on issues.

CORPORATE GOVERNANCE REPORT

Guidelines of the Code	Equation'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. None of the Independent Directors have served on the Board for a period exceeding nine years from the date of their appointments. 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 officers and no individual or small group of individuals dominate the Board's decision making process.
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 for 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.
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 three Independent Non-Executive Directors 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, Independent Non-Executive Directors meet without the presence of Management or the Executive Director 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	Equation'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 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 3.3 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	Equation'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 Company's NC comprises of three Independent Non-Executive Directors (including the Chairman of the NC), who are independent of management and free from any business or other relationships. The members of the NC are: – Mr. Toh Hock Ghim (Chairman) – Mr. Lau Kay Heng – Mr. Kan Ah Chye 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;

CORPORATE GOVERNANCE REPORT

Guidelines of the Code	Equation's Corporate Governance practices
	(5) propose an objective performance criteria to evaluate the Board's performance, subject to the approval of the Board; (6) reviewing 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 Article 92 and 93 of the 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. The NC has nominated the director retiring by rotation, Mr. Lau Kay Heng, for re-election at the forthcoming AGM. Pursuant to Section 153(6) of the Companies Act, (Chapter 50), any Director above 70 years of age is subject to annual re-appointment. Mr. Toh Hock Ghim and Mr. Kan Ah Chye, who are over the age of 70 years, have been recommended by the NC for re-appointment at the forthcoming AGM. (collectively the "Nominations"). 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 FY2016 in accordance with the Code's definition of independence and is satisfied that 75% of the Board comprised Independent Directors.
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.

Guidelines of the Code	Equation's Corporate Governance practices
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	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 pertaining to the directors who held office at the date of this report are disclosed in the "Board of Directors" 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	Equation'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 three out of four Directors are independent and all three Board committees comprises of only independent directors, the NC has established review processes to assess the performance and effectiveness of the Board as a whole. 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.
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 FY2016. 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 Board, as a group, also possesses the necessary core competencies to direct the Company and Management to perform efficiently and effectively.

CORPORATE GOVERNANCE REPORT

Guidelines of the Code	Equation's Corporate Governance practices
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, 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.

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	Equation'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. 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 senior 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.
6.4 Appointment and removal of the Company Secretary should be a matter for the Board as a whole	The Board 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	Equation'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 three members, all of whom are Non-Executive Directors (including the Chairman of the RC), who are independent of Management and free from any business or other relationships which may materially interfere with the exercise of their independent judgement. The members of the RC are: – Mr. Kan Ah Chye (Chairman) – Mr. Lau Kay Heng – Mr. Toh Hock Ghim 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 (6) overseeing the administration of the Equation Share Option Scheme and 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.

CORPORATE GOVERNANCE REPORT

Guidelines of the Code	Equation's Corporate Governance practices
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 FY2016.
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 director and key management personnel contracts of service, to ensure that such contracts of service contain fair and reasonable termination clause.

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	Equation'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; • ensure that proportion of the remuneration is linked to corporate and individual's performance; and • design remuneration packages in such manner to align interest of executive director and key management personnel with those of shareholders. Annual review are carried out by the RC to ensure that the remuneration of the Executive Director and key management personnel commensurate with the Company's and his 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.

CORPORATE GOVERNANCE REPORT

Guidelines of the Code	Equation's Corporate Governance practices
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 Equation Share Option Scheme (the "ECL ESOS") which serves as a long-term incentive scheme for the directors and employees of the Company. A revised ECL 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. On 8 January 2015, the Company granted an aggregate of 10,000,000 share options, at the exercise price of $0.006 per share pursuant to the ESOS 2010. No options were granted under the ESOS 2010 during FY2016. The Company has also a performance shares scheme known as ECL Performance Shares Scheme ("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 ECL PS Scheme on 31 October 2008. Controlling shareholders of the Company and their associates are eligible to participate in the ECL PS Scheme. No awards were granted under the ECL PS Scheme during FY2016. The ESOS 2010 is administered by a committee comprising Mr. Lau Kay Heng (Chairman), Mr. Chng Weng Wah, Mr. Toh Hock Ghim and Mr. Kan Ah Chye. However, no member of the committee shall be involved in any deliberation in respect of options to be granted to him. The ECL PS Scheme is administered by a committee comprising Mr. Toh Hock Ghim (Chairman), Mr. Chng Weng Wah, Mr. Lau Kay Heng and Mr Kan Ah Chye.
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 and Independent 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.

CORPORATE GOVERNANCE REPORT

Guidelines of the Code	Equation's Corporate Governance practices
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	Equation'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 Director's remuneration. 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 three out of four of the 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 FY2016 are as follows:

	Remuneration Band	Salary & Fees	Performance Related Income/ Bonuses	Other Benefits	Total Remuneration
	$	%	%	%	%
Executive Director					
Chng Weng Wah	Between 250,000 and 500,000	97	–	3	100
Non-Executive Directors					
Toh Hock Ghim	<250,000	91	–	9	100
Lau Kay Heng	<250,000	100	–	–	100
Kan Ah Chye	<250,000	100	–	–	100

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guidelines of the Code</th><th>Equation’s Corporate Governance practices</th></tr>
<tr><td></td><td>
<u>Top 5 Key Management Personnel</u>
For FY2016, the Group has 4 key management personnel. The remuneration of the top 4 key management personnel (who are not Directors or the CEO of the Company) of the Group are set out below in bands of $250,000. The aggregate remuneration of the top 4 key management personnel for FY2016 is $708,000. 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 250,000</td><td>4</td></tr>
</table>
No termination, retirement and post-employment benefits is granted to our Directors, CEO and the top 4 key management personnel of the Group during FY2016.
</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 brother of our CEO, Mr. Chng Weng Wah. Mr. Chng Weng Huat is employed by the Company as a Technical Director of the Company, and received remuneration in that capacity.
A breakdown showing the percentage mix of Mr. Chng Weng Huat’s remuneration paid/payable for FY2016 are 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 200,000</td><td>97</td><td>3</td><td>–</td><td>100</td></tr>
</table>
</td></tr>
<tr><td>9.5 Details of employee share scheme</td><td>Details of the Equation Share Option Scheme and ECL Performance Shares Scheme are set out in the Directors’ Statement on pages 38 to 40 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>

CORPORATE GOVERNANCE REPORT

PRINCIPLE 10: ACCOUNTABILITY

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

Guidelines of the Code	Equation'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. 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 our 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 director with a monthly financial report. Monthly meetings are conducted involving the senior management and the 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.

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	Equation'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 Audit Committee evaluates the findings of the external and internal auditors on the Group's internal controls annually.

CORPORATE GOVERNANCE REPORT

Guidelines of the Code	Equation'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 AC, 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 2016 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 Board has not established a separate board risk committee and relies on internal control policies and procedures established and maintained by the Group, and the regular audits, monitoring and reviews performed by the internal and external auditors in carrying out its responsibility of overseeing the Company's risk management and policies.

PRINCIPLE 12: AUDIT COMMITTEE

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

Guidelines of the Code	Equation'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 AC comprises three Independent and Non-Executive Directors including the Chairman of AC. The members of the AC are: – Mr. Lau Kay Heng (Chairman) – Mr. Toh Hock Ghim – Mr. Kan Ah Chye The profiles of the AC members are set out on pages 8 and 9 of the Annual Report. The key terms of reference of the AC, 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 AC to be qualified to discharge the responsibilities of the AC as two members of the AC, including the Chairman, have accounting or related financial management expertise or experience.

CORPORATE GOVERNANCE REPORT

Guidelines of the Code	Equation'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 AC 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 AC 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 AC has adequate resources to enable it to discharge its responsibilities properly.
12.4 Duties of the AC	The AC is regulated by its terms of reference and meets at least four 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) approving 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; and (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. Minutes of the AC meetings are regularly submitted to the Board for its information and review.
12.5 AC to meet internal and external auditors, without presence of the management, at least annually	For FY2016, the AC 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 AC has reviewed the findings of the auditors and the assistance given to the auditors by the management.

CORPORATE GOVERNANCE REPORT

Guidelines of the Code	Equation's Corporate Governance practices
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 paid to the external auditors of the Company for audit amounted to $65,200. No non-audit service fee was paid to the external auditors. The AC has conducted a review and is satisfied that the nature and extent of the non-audit services provided have not prejudiced the independence and objectivity of the external auditors. The AC 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 AC. In addition, the AC has reviewed the adequacy of the resources, experience of the external auditors and of the audit engagement partner assigned to the audit. The AC 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 AC 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 2017. Both the AC and the Board have reviewed the appointment of different auditors for its subsidiaries and/or significant associated companies and are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company. Accordingly, the Company has complied with Rule 716 of the Rules of Catalist.
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 AC. 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 AC.
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 FY2016, the AC 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 AC 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 AC 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 FY2016, the AC 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 AC member, the Company will sponsor him for any relevant regulatory update courses. The AC members also receive and discuss any accounting standards update from its external auditors, whenever material changes in accounting standards affecting the Group arise.

CORPORATE GOVERNANCE REPORT

Guidelines of the Code	Equation'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 AC 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	Equation'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. 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 IA primarily report to the Chairman of the AC. Being an independent function, the audit work is conducted with impartiality and professional care. The latest internal audit was conducted in November 2015.
13.5 AC to review adequacy and effectiveness of internal audit function, at least annually	The IA 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 AC for approval prior to the commencement of the internal audit. Internal audit reports are distributed to and discussed with the AC. The AC oversees and monitors the implementation of the improvements required on internal control weaknesses identified. The AC has full access to and the co-operation of the management and IA, 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	Equation'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.
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	Equation'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.

CORPORATE GOVERNANCE REPORT

Guidelines of the Code	Equation's Corporate Governance practices
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.eqsummit.sg is another channel to solicit and understand the views of the shareholders.
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 FY2016 as the Company has incurred a loss in FY2016. 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	Equation'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 Chairman of the respective Board 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 Constitution allows a member of the Company to appoint up to two 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.

CORPORATE GOVERNANCE REPORT

INTERNAL CODE ON DEALING IN SECURITIES

Rules of Catalist	Equation'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	Equation'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	Equation'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 AC 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 FY2016 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 AC and the Board. The risk issues are outlined in Note 35 of the financial statements.

CORPORATE GOVERNANCE REPORT

USE OF PROCEEDS

A report on the use of proceeds from Private Placement on 13 March 2015 ("Private Placement") and Warrants Issue on 3 August 2015 ("Warrants Issue") and, 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:

	Private Placement $'000	Warrants Issue $'000
Net proceeds raised	1,400	3,493
Less: Utilisations		
– Working capital expenditures[i]	(1,126)	–
– Repayment of loans	–	–
Balance as at 5 September 2016	274	3,493

(i) Working capital expenditures consisted of staff salaries and related expenses, directors' fee as well as trade and non-trade payments.

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 FY2016.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 30 June 2016 and the statement of financial position of the Company as at 30 June 2016.

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 2016 and the financial performance, changes in equity and cash flows of the Group for the financial 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 director
Chng Weng Wah

Independent non-executive directors
Toh Hock Ghim
Lau Kay Heng
Kan Ah Chye

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 beginning of the financial year**	**At end of the financial year**
Chng Weng Wah		**Number of ordinary shares**		
The Company	512,224,132	512,224,132	463,050,000	463,050,000
Equation Energy Pte. Ltd.	–	–	700,000	700,000
Equation Recycling Pte. Ltd.	–	–	3,000	3,000
Equation Resources Pte. Ltd.	–	–	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

DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

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

There was no change in any of the above-mentioned interest in the Company between the end of the financial year and 21 July 2016.

5. SHARE OPTIONS

Equation Share Option Scheme ("ECL ESOS")

The ECL ESOS ("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 ESOS 2010 replaced the ECL ESOS ("ESOS 1999") that was approved and adopted by members of the Company at an 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. 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.

On 8 January 2015, the Company granted an aggregate of 10,000,000 share options, at S$0.006 per share pursuant to the ESOS 2010.

Other information regarding the ECL 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.

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

5. **SHARE OPTIONS** (CONTINUED)

Equation Share Option Scheme ("ECL ESOS") (Continued)

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

Date of grant	Balance as at 1 July 2015	Options forfeited/ expired	Balance as at 30 June 2016	Exercise price per share (S$)	Exercisable period
ESOS 1999					
17 April 2006	550,000	(550,000)	–	0.033	17 April 2008 to 16 April 2016
ESOS 2010					
8 January 2015	10,000,000	–	10,000,000	0.006	8 January 2016 to 7 January 2025
	10,550,000	(550,000)	10,000,000		

The details of the options granted under the ECL 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 ECL ESOS to the end of financial year	Aggregate options exercised since commencement of the ECL ESOS to the end of financial year	Aggregate options lapsed/expired since commencement of the ECL ESOS 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 and employees of the Company under the ECL ESOS during the financial year.

Since the commencement of the ECL ESOS, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the ECL ESOS has been granted 5% or more of the total options available under the ECL 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. No shares have been issued during the financial year by virtue of the exercise of option.

6. **PERFORMANCE SHARES**

Equation Performance Share Scheme ("ECL PS Scheme")

The ECL PS Scheme was approved and adopted by members of the Company at an EGM held on 31 October 2008. The ECL PS Scheme is administered by the ECL 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

DIRECTORS' STATEMENT

6. PERFORMANCE SHARES (CONTINUED)

Selected employees of the Group, the Executive Director 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 ECL 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.

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 ECL PS Scheme (the "Award") will be determined at the sole discretion of the ECL PS Scheme Committee, which will oversee and administer the ECL PS Scheme.

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

Other information regarding the ECL 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 ECL ESOS) of the Company shall not exceed 15% of the issued shares of the Company on the day preceding that date.

  As at 30 June 2016, outstanding options issued under the ECL ESOS represent 0.2% (2015: 0.2%) of the total share capital of the Company.

- The aggregate number of Award Shares available to eligible controlling shareholders and their associates under the ECL PS Scheme shall not exceed 25% of the Shares available under this ECL 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 ECL PS Scheme.

- The ECL PS Scheme shall continue to be in force at the discretion of the ECL PS Scheme Committee, subject to a maximum period of 10 years commencing on the date of adoption of the ECL PS Scheme (expiring on 30 October 2018), provided always that the ECL 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 COMMITTEE

The Audit Committee of the Company comprises three 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

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

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act. In performing those functions, the Audit 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;

7. AUDIT COMMITTEE (CONTINUED)

(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 committee to the board of directors with any recommendations as the audit committee deems appropriate.

The Audit 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 Committee.

The Audit 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 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EQUATION SUMMIT LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Equation Summit Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and of the Company as at 30 June 2016, 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 a summary of significant accounting policies and other explanatory information as set out on pages 44 to 122.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Group and statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of matter

We draw attention to Note 2 to the financial statements. The Group incurred a net loss from continuing operations of $11,734,000 and had utilised $3,128,000 to fund its operations during the financial year ended 30 June 2016, and the Group is expected to repay the convertible loan from the lenders within next twelve months after the end of the reporting period. These factors indicate the existence of material uncertainties which may cast doubt about the Group's ability to continue as a going concern and to meet liabilities as and when they fall due. Notwithstanding the above conditions, the management has prepared the financial statements on a going concern basis on the bases of the Group's ability to secure new contracts with potential customers and the ability of the Group to raise additional funds as and when necessary, through avenues including but not limited to, raising of new funds, possible conversion of the convertible bonds to equity and possible exercise of warrants by certain warrants holders.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EQUATION SUMMIT LIMITED

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. No adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

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 subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore

29 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	Group 2016 $'000	Group 2015 $'000
Continuing operations			
Revenue	4	837	1,050
Cost of sales		(425)	(595)
Gross profit		412	455
Other income	5	3,052	2,537
Distribution expenses		(320)	(333)
Administrative expenses		(6,095)	(7,269)
Other expenses		(8,103)	(239)
Loss from continuing operating activities		(11,054)	(4,849)
Finance costs	6	(588)	(588)
Share of results of associates		(1)	(1)
Share of results of joint ventures		(330)	(372)
Loss before income tax from continuing operations	7	(11,973)	(5,810)
Income tax credit	9	239	504
Loss from continuing operations, net of tax		(11,734)	(5,306)
Discontinued operations			
Loss from discontinued operations, net of tax	14	–	(1,427)
Loss for the financial year		(11,734)	(6,733)
Attributable to:			
Owners of the Company			
Loss from continuing operations, net of tax		(10,805)	(5,407)
Loss from discontinued operations, net of tax		–	(1,100)
		(10,805)	(6,507)
Non-controlling interests			
(Loss)/Profit from continuing operations, net of tax		(929)	101
Loss from discontinued operations, net of tax		–	(327)
		(929)	(226)
Loss for the financial year		(11,734)	(6,733)
Earnings per share (cents)			
From continuing operations attributable to equity owners of the Company – basic and diluted	10	(0.21)	(0.11)
From discontinued operations attributable to equity owners of the Company – basic and diluted	10	–	(0.02)

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 2016

	Group	
	2016	2015
	$'000	$'000
Loss for the financial year	(11,734)	(6,733)
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences from foreign subsidiaries	(79)	589
Realisation of foreign currency translation differences on liquidation of foreign subsidiaries	–	(197)
Other comprehensive (loss)/profit for the financial year	(79)	392
Total comprehensive loss for the financial year	(11,813)	(6,341)
Total comprehensive loss attributable to:		
Owners of the Company		
Loss from continuing operations, net of tax	(10,861)	(4,863)
Loss from discontinued operations, net of tax	–	(1,394)
	(10,861)	(6,257)
Non-controlling interests		
(Loss)/Profit from continuing operations, net of tax	(952)	146
Loss from discontinued operations, net of tax	–	(230)
	(952)	(84)
Total comprehensive loss for the financial year	(11,813)	(6,341)

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 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
ASSETS					
Non-current assets					
Financial assets, available-for-sale	11	–	2,222	–	2,222
Property, plant and equipment	12	164	237	97	143
Intangible assets	13	13,343	14,747	–	–
Subsidiaries	14	–	–	14,721	18,097
Associates	15	27	26	–	–
Joint ventures	16	19	57	280	280
Trade and other receivables	17	960	633	1,102	222
Other non-current assets	18	6,059	11,346	755	13,109
Total non-current assets		20,572	29,268	16,955	34,073
Current assets					
Inventories	19	71	86	–	–
Trade and other receivables	17	3,594	6,154	100	136
Other current assets	20	1,567	1,452	480	310
Cash and bank balances	21	5,343	6,858	4,520	5,702
Financial assets, available-for-sale	11	2,222	–	2,222	–
Total current assets		12,797	14,550	7,322	6,148
Total assets		33,369	43,818	24,277	40,221
EQUITY AND LIABILITIES					
Equity					
Share capital	22	154,474	154,474	154,474	154,474
Reserves		4,397	1,870	3,695	1,112
Accumulated losses		(132,438)	(121,654)	(135,302)	(117,206)
Equity attributable to owners of the Company		26,433	34,690	22,867	38,380
Non-controlling interests		(9,107)	(8,155)	–	–
Total equity		17,326	26,535	22,867	38,380
Non-current liabilities					
Accruals	25	761	–	176	–
Financial liabilities	26	470	726	470	117
Derivative instrument	27	21	21	–	–
Deferred tax liabilities	28	2,267	2,506	–	–
Total non-current liabilities		3,519	3,253	646	117
Current liabilities					
Trade and other payables	24	3,039	3,536	348	1,185
Accruals	25	2,000	3,036	383	460
Financial liabilities	26	6,963	7,446	33	67
Provisions for other liabilities and charges	29	522	12	–	12
Total current liabilities		12,524	14,030	764	1,724
Total liabilities		16,043	17,283	1,410	1,841
Total equity and liabilities		33,369	43,818	24,277	40,221

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 2016

	Share capital (Note 22) $'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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Share capital (Note 22) $'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 2014	153,074	(228)	21	895	(115,147)	38,615	(8,856)	29,759
Total comprehensive loss								
Loss for the financial year	–	–	–	–	(6,507)	(6,507)	(226)	(6,733)
Other comprehensive (loss)/income								
Foreign currency translation differences from foreign subsidiaries (Note (a))	–	544	–	–	–	544	45	589
Realisation of foreign currency translation differences from liquidation of foreign subsidiaries	–	(294)	–	–	–	(294)	97	(197)
Total comprehensive loss for the financial year	–	250	–	–	(6,507)	(6,257)	(84)	(6,341)
Transactions with owners, recorded directly in equity								
Contribution by and distributions to owners								
Issue of shares:								
Private placement	1,400	–	–	–	–	1,400	–	1,400
Prepaid capital contribution (Note (c)(iv))	–	–	–	878	–	878	–	878
	1,400	–	–	878	–	2,278	–	2,278
Others								
Capital contributed by non-controlling interest	–	–	–	–	–	–	92	92
Employee share-based payment expense	–	–	54	–	–	54	–	54
Liquidation of subsidiaries	–	–	–	–	–	–	693	693
	–	–	54	–	–	54	785	839
Balance as at 30 June 2015	154,474	22	75	1,773	(121,654)	34,690	(8,155)	26,535

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 2016

(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 2016

	2016 $'000	2015 $'000
Cash flows from operating activities		
Loss before income tax from continuing operations for the year	(11,973)	(5,810)
Loss before income tax from discontinued operations for the year	–	(1,427)
	(11,973)	(7,237)
Adjustments for:		
Interest expense	588	869
Interest income	(132)	(153)
Amortisation of intangible assets	1,404	1,426
Amortisation of prepayment for rights on use of plant and machinery	78	116
Depreciation of property, plant and equipment	83	156
Employee share-based payments expense	–	54
Fair value gain on derivative instrument	–	(29)
Gain on disposal of a joint venture	–	(25)
Gain on disposal of property, plant and equipment	–	(17)
Gain on liquidation of subsidiaries	–	(1,190)
Impairment loss on an associate	–	13
Impairment loss on prepayment for rights, interest in and ownership of granite	5,000	–
Impairment loss on trade and other receivables	2,472	–
Provision for warranty expense	–	293
Provision for legal liabilities (Note 29)	522	–
Reversal of long outstanding payables and overstated accruals	(699)	–
Share of results of associates	1	1
Share of results of joint ventures	330	372
Write-down on inventories	–	919
Write-off of trade and other receivables	–	36
Write-off of club membership	–	35
Write-off of other current assets	–	296
Write-off of property, plant and equipment	–	55
Exchange differences	(110)	528
Operating cash flows before working capital changes	(2,436)	(3,482)
Changes in working capital:		
Inventories	15	(540)
Trade and other receivables	(519)	973
Other current assets	129	323
Trade and other payables	(317)	859
Provision for other liabilities and charges	–	(389)
Cash used in operations representing net cash used in operating activities	(3,128)	(2,256)

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 2016

	2016 $'000	2015 $'000
Cash flows from investing activities		
Interest received	132	153
Purchase of property, plant and equipment (Note 12)	(10)	(4)
Investment in an associate	–	(27)
Investments in joint ventures	–	(229)
Proceeds from disposal of a joint venture	–	200
Proceeds from disposal of property, plant and equipment	–	17
Net cash outflows on liquidation of subsidiaries, net of cash liquidated (Note 14)	–	(526)
Net cash from/(used in) investing activities	122	(416)
Cash flows from financing activities		
Interest paid	(206)	(353)
Net proceeds from issuance of ordinary shares	–	1,400
Net proceeds from issuance of warrants	2,604	–
Prepaid capital contributions received from undertaking shareholders	–	878
Repayment of finance lease	(67)	(72)
Repayment of loan to a third party	(680)	(457)
Repayment of borrowings	(183)	(168)
Net cash from financing activities	1,468	1,228
Net decrease in cash and cash equivalents	(1,538)	(1,444)
Effect of exchange rate changes on cash and cash equivalents	23	37
Cash and cash equivalents at beginning of financial year	6,797	8,204
Cash and cash equivalents at end of financial year (Note 21)	5,282	6,797

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

1. GENERAL

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 14 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 2016 were authorised for issue by the Board of Directors on 29 September 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and the statement of financial position and statement of changes in equity 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 ("S$" or "SGD") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("S$'000"), unless otherwise indicated.

The Group incurred a net loss from continuing operations of $11,734,000 (2015: $5,306,000) and had utilised $3,128,000 (2015: $2,256,000) to fund its operations during the financial year ended 30 June 2016, and the Group is expected to repay the convertible loan from the lenders within next twelve months after the end of the reporting period. These factors indicate the existence of material uncertainties which may cast doubt about the Group's ability to continue as a going concern and to meet liabilities as and when they fall due. The financial statements of the Group have been prepared on a going concern basis as the management is of the view that the Group will be able to secure new contracts in the United States of America ("US") market where the asset protection technology is rolled-out, and with the progression of the Group's technology segment in the US market. In addition, the management believes that the Group is able to raise additional funds as and when necessary, through avenues including but not limited to, raising of new funds, possible conversion of the convertible bonds to equity and possible exercise of warrants by certain warrants holders.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. No adjustments have been made to these financial statements.

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 2015. 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 1	Amendments to FRS 1: *Disclosure Initiative*	1 January 2016
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 16, 38	Amendments FRS 16 and FRS 38: *Clarification of Acceptance Methods of Depreciation and Amortisation*	1 January 2016
FRS 16, 41	Amendments to FRS 16 and FRS 41: *Agriculture: Bearer Plants*	1 January 2016
FRS 27	Amendments to FRS 27: *Equity Method in Separate Financial Statements*	1 January 2016
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*	1 January 2016
FRS 110, 112, 28	Amendments to FRS 110, FRS 112 and FRS 28: *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 111	Amendments to FRS 111: *Accounting Acquisitions of Interest in Joint Operations*	1 January 2016
FRS 114	*Regulatory Deferral Accounts*	1 January 2016
FRS 115	*Revenue from Contracts with Customers*	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 (November 2014)	Various

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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 does not intend to early adopt FRS 109. 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 does not intend to early adopt FRS 115. 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.

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 does not intend to early adopt FRS 116. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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 (including goodwill), 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 recognized 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 recognized 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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 compensations

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 compensations (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.

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 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 balance sheet 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 utilized. 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 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.

A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

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 and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities except for the investment properties where investment properties measured at fair value are presented to be recovered entirely through sale. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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.

Exchange differences relating to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars 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 renovations	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 amortisation and any 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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 business combinations.

(i) ***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. Any goodwill arising on the acquisition of the Group's interest in an associate is accounted for in accordance with the Group's accounting policy for goodwill arising on such acquisitions.

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 Impairment of tangible and intangible assets excluding goodwill

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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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.

Loans and receivables

The Group's loans and receivables comprise trade and other receivables, other current assets 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost, where applicable, using the effective interest method, with interest expense recognized on an effective yield basis.

Borrowings

Interest-bearing bank loans and overdrafts 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 for borrowing costs (see Note 2.5).

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 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. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

2.18 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.

2.19 Cash and bank balances

Cash and bank balances comprise cash on hand and demand deposits with financial institutions, bank overdrafts, 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 are presented net of bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

2.20. 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, unless they are directly attributable to the acquisition, construction of production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 2.5).

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.

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

2.20. **Leases** (Continued)

Operating leases (Continued)

The Group as lessee (Continued)

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.

2.21. **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.

2.22. **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 year.

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

2.24. 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".

2.25. 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. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26. 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.

2.27. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27. Related parties (Continued)

(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); or

(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).

Associates are related parties and include those that are associates of the holding and/or related companies.

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 an available-for-sale equity instrument is 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 11 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*. After assessment, 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 13.

Determining whether intangible assets are impaired requires an estimation of their recoverable amounts. Where such recoverable amounts are based on the assets' values 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 13.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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 18, the Group is presently at the stage of enforcement of proceedings of the arbitral award against KDH in Indonesia. The success of enforcement of arbitral award is depending on the outcome of the proceed. The directors of the Company, in consultation with the Company's legal advisors, have taken the view that such a material adverse outcome is very unlikely. However, the management has made an assessment of the fair value of the amount outstanding based on the discounted cash flow arising from the granite reserve over the mining period of 17 years. The key assumptions used in the discounted cash flows include the discount rate based on weighted average cost of capital of 11.7% and production output of 720,000 tonnes per year. As a result, an impairment loss of the Group's other non-current assets amounted to approximately S$5,000,000 (2015: Nil) as at the end of the reporting period have been made and disclosed in Note 18 to the financial statements. Further details of the carrying amount of the prepayment at the end of the reporting period are disclosed in Note 18 to the financial statements. If the weighted average cost of capital were differ by 1% from management's estimates, the fair value of the amount outstanding would be an estimated S$930,000 higher or S$440,000 lower.

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 carrying amount of the Company's investments in subsidiaries as at 30 June 2016 was S$14,721,000 (2015: S$18,097,000) (Note 14). The carrying amounts of the Group's and the Company's investments in joint ventures and associates are set out in Note 16 and 15 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 2016 was S$164,000 (2015: S$237,000) (Note 12).

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 17, the Group expects to recover $2,434,000 (2015: $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 17 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 recognizes 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 recognized, 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 2016 was S$Nil (2015: S$Nil).

4. REVENUE

	Group	
	2016 $'000	**2015 $'000**
Revenue from goods sold	387	535
Revenue from services rendered	450	515
	837	1,050

5. OTHER INCOME

	Group	
	2016 S$'000	**2015 S$'000**
Bad debts recovered	102	–
Fair value gain on derivative instrument	–	29
Gain on disposal of property, plant and equipment	–	17
Gain on disposal of a joint venture	–	25
Grants received from government	65	–
Interest income from banks	28	17
Interest income from a joint venture party	37	3
Interest income from third parties	67	116
Rental income from third parties	668	658
Storage income	1,074	1,489
Proceeds from liquidation of a subsidiary from prior year	149	–
Usage of facilities from a joint venture party	76	16
Write off of payables and overstated accruals	699	–
Miscellaneous income	87	167
	3,052	2,537

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

6. FINANCE COSTS

	Group 2016 $'000	Group 2015 $'000
Interest expense on:		
– bank borrowings	20	35
– convertible loan	541	505
– finance lease liabilities	7	10
– others	20	38
	588	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 2016 $'000	Group 2015 $'000
Audit fees paid/payable to:		
– auditors of the Company	65	164
– other auditors	10	–
Non-audit fees paid/payable to auditors of the Company	–	6
Directors' remuneration	195	282
Directors' fees	213	213
Amortisation of intangible assets	1,404	1,426
Amortisation of prepayment for rights on use of plant and machinery	78	116
Depreciation of property, plant and equipment	83	144
Employee share-based payments expense	–	54
Fair value gain on derivative instrument	–	(29)
Gain on disposal of a joint venture	–	(25)
Gain on disposal of property, plant and equipment	–	(17)
Impairment loss on an associate	–	13
Impairment loss on prepayment for rights, interest in and ownership of granite[1]	5,000	–
Impairment loss on trade and other receivables[1]	2,472	–
Legal and other professional fees	276	402
Operating leases expense	1,676	1,677
Provision for legal liabilities	522	–
Research and development expense	9	146
Write-off of club membership	–	35
Write-off of property, plant and equipment	–	27
Foreign exchange (gain)/loss (net)	(71)	492

(1) Included in other expenses.

8. STAFF COSTS (INCLUDING KEY MANAGEMENT PERSONNEL REMUNERATION)

	Group	
	2016	2015
	$'000	$'000
Salaries and bonuses	1,930	2,022
Central Provident Fund	161	157
Share-based payments (Employee share options plans)	–	54
Other short-term benefits	124	132
	2,215	2,365

9. INCOME TAX CREDIT

	Group	
	2016	2015
	$'000	$'000
Continuing Operations		
Current income tax		
Over provision in respect of previous years	–	(2)
Deferred income tax		
Reversal and origination of temporary differences	(239)	(502)
	(239)	(504)

The Company is incorporated in Singapore and accordingly is subject to income tax rate of 17% (2015: 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	
	2016	2015
	$'000	$'000
Loss before income tax from continuing operations	(11,973)	(5,810)
Loss before income tax from discontinued operations	–	(1,427)
	(11,973)	(7,237)
Tax benefits calculated using Singapore tax rate of 17% (2015: 17%)	(2,035)	(1,230)
Tax effect of:		
Effect of different tax rates in other countries	(24)	(13)
Expenses not deductible for tax purposes	1,575	972
Income not subject to tax	(175)	(342)
Deferred tax assets not recognised	450	231
Utilisation of deferred tax assets not previously recognised	(30)	(108)
Others	–	(12)
Over provision in respect of previous years	–	(2)
	(239)	(504)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

9. INCOME TAX CREDIT (CONTINUED)

During the financial year, in relation to the Singapore group relief system, the Group utilised tax losses of $494,000 (2015: $265,000) to set off the assessable income of certain companies within the Group. The Group has unutilised tax losses and unabsorbed capital allowances of approximately $47,235,000 (2015: $44,760,000) and $18,103,000 (2015: $18,106,000) 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.

10. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the 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 earnings per share for the financial year ended 30 June:

	Group	
	2016	**2015**
	$'000	**$'000**
Basic and diluted earnings per share is based on:		
Net loss attributable to ordinary shareholders	(10,805)	(6,507)
Add back: Loss from discontinued operations, net of tax, attributable to owners of the Company	–	1,100
Loss from continuing operations, net of tax, attributable to owners of the Company	(10,805)	(5,407)

	No. of Shares	
	'000	**'000**
Issued ordinary shares as at 1 July	4,988,798	4,318,239
Effect of ordinary shares issued	124,932	670,559
Weighted average number of ordinary shares as at 30 June	5,113,730	4,988,798

For the purpose of calculation of the diluted earnings 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 earnings per share is the same as the basic earnings per share.

For the financial year ended 30 June 2016, the option of conversion into shares of the Company under the convertible loans agreement (Note 26(c)) has not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current financial year presented.

11. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	Group and Company	
	2016	2015
	$'000	$'000
Unquoted equity securities	120	120
Impairment losses	(120)	(120)
	–	–
Redeemable preference shares	2,222	2,222
	2,222	2,222
Non-current	–	2,222
Current	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 less impairment losses. 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. As at 30 June 2016, the Company has reclassified investment in redeemable preference shares from non-current assets to current assets as the investment is expected to be redeemed within next twelve months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

12. 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 2014	5,976	814	605	674	8,069
Translation differences on consolidation	–	(2)	(41)	(3)	(46)
Additions	–	–	4	–	4
Disposals	(15)	–	–	–	(15)
Write-offs	(2)	(25)	(115)	–	(142)
Liquidation of subsidiaries	–	–	(264)	(22)	(286)
Balance as at 30 June 2015 and 1 July 2015	5,959	787	189	649	7,584
Additions	–	–	10	–	10
Write-offs	–	(64)	(8)	–	(72)
Balance as at 30 June 2016	5,959	723	191	649	7,522
Accumulated depreciation					
Balance as at 1 July 2014	5,932	725	508	465	7,630
Translation differences on consolidation	–	(1)	(49)	(1)	(51)
Depreciation for the year	8	60	33	55	156
Disposals	(15)	–	–	–	(15)
Write-offs	(2)	(25)	(87)	–	(114)
Liquidation of subsidiaries	–	–	(247)	(12)	(259)
Balance as at 30 June 2015 and 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	5,930	706	167	555	7,358
Net carrying amount					
Balance as at 30 June 2015	36	28	31	142	237
Balance as at 30 June 2016	29	17	24	94	164

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Furniture and fittings and renovation $'000	Other equipment $'000	Motor vehicles $'000	Total $'000
Cost				
Balance as at 1 July 2014	559	88	482	1,129
Additions	–	1	–	1
Balance as at 30 June 2015 and 1 July 2015	559	89	482	1,130
Additions	–	6	–	6
Write-off	–	(3)	–	(3)
Balance as at 30 June 2016	559	92	482	1,133
Accumulated depreciation				
Balance as at 1 July 2014	522	72	313	907
Depreciation for the year	31	7	42	80
Balance as at 30 June 2015 and 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	556	83	397	1,036
Net carrying amount				
Balance as at 30 June 2015	6	10	127	143
Balance as at 30 June 2016	3	9	85	97

Assets held under finance lease

The carrying amount of the motor vehicle held under finance lease of the Group as at 30 June 2016 amounted to $85,000 (2015: $127,000).

Assets held in trust

A motor vehicle with carrying amount of $85,000 (2015: $127,000) is held in trust by a director of the Company.

13. INTANGIBLE ASSETS

Group	Core technology $'000	Development costs $'000	Total $'000
Cost			
Balance as at 30 June 2015, 1 July 2015 and 30 June 2016	31,624	609	32,233
Accumulated amortisation			
Balance as at 1 July 2014	15,471	589	16,060
Amortisation for the year	1,406	20	1,426
Balance as at 30 June 2015 and 1 July 2015	16,877	609	17,486
Amortisation for the year	1,404	–	1,404
Balance as at 30 June 2016	18,281	609	18,890
Net carrying amount			
Balance as at 30 June 2015	14,747	–	14,747
Balance as at 30 June 2016	13,343	–	13,343

The amortisation charge for the Group for the financial year has been charged to administrative expenses in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

13. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of core technology

The intangible assets represent core technology (including asset protection technology), which have been determined as a CGU (under the Technology segment). The recoverable amounts of asset protection technology was based on value-in-use of the CGU, which is the net present value of expected future cash flows over a period of 10 years (i.e. life of the patent) from the financial year ending 30 June 2017 ("FY2017") to the financial year ended 30 June 2026 ("FY2026"). The key assumptions for the computation of value in use include the following:

Revenue

Revenue projections comprise sale of encrypted codes to product manufacturers. It also takes into account of the European and United States of America ("US") 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 FY2017 for the US market and FY2019 for the European market.

Potential customers account for 16.3% of the US market in FY2017 and 20% for the European market in FY2019.

European market penetration is assumed to be 1% in FY2017 and progressively increase to 6% by financial year 2026. US market penetration into the potential customers is assumed to be 1% in FY2017 and progressively increase to 4% by financial year 2026.

European product growth rate is forecast at 3% per annum in financial year 2019 and expected to progressively reduce to 2% in FY2023. US product growth rate is forecast at 5% per annum in FY2017 and progressively reduces to 3% in FY2023. European and US product growth rate is assumed to be Nil from FY2024 to FY2026.

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.

Inflation rate

Management has projected an inflation rate of 2% for FY2017 to FY2020, 3% from FY2021 to FY2023 and 5% from FY2024 to FY2026.

Discount rate

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

Sensitivity to changes in assumptions

With regards to the assessment of value in use for the intangible assets that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materiality exceed its recoverable amount.

For asset protection technology, management recognises that a decrease in potential customers' share of the European and US markets is expected to have an adverse impact on revenue assumptions. A reduction of 5% (2015: 5%) in each market would result in an impairment of $670,000 (2015: $1,800,000).

14. SUBSIDIARIES

	Company	
	2016	2015
	$'000	$'000
Equity investments at cost	37,137	36,428
Impairment losses	(22,416)	(18,331)
	14,721	18,097

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 have 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.

Included in the investment in subsidiaries is the net investment in Disa Digital Safety Pte. Ltd. ("DDSPL") of $14,200,000 (2015: $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 13.

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 9% to 33% (2015: 8% to 38%). 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 $4,085,000 (2015: $3,734,000) was recognised in the financial year.

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

	Company	
	2016	2015
	$'000	$'000
Balance as at 1 July	18,331	19,553
Charge to profit or loss	4,085	3,734
Struck off/disposal	–	(4,956)
Balance as at 30 June	22,416	18,331

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14. SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of business/ Country of incorporation	Effective equity holding 2016 %	Effective equity holding 2015 %
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.[(a)]	Recycling and trading of scrap metals and electronic waste products	Singapore	60	60
Equation Resources Pte. Ltd.[(a)]	Supply and trading of construction materials	Singapore	81.6	81.6
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
Ternary Technologies (Shenzhen) Limited[(b)]	Trading of electronic products, research and development and market promotion	China	100	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)]	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.

14. SUBSIDIARIES (CONTINUED)

a) Increase of share capital in a subsidiary

On 8 March 2016, a wholly-owned subsidiary of the Company, Disa Digital Safety Pte. Ltd. ("DDSPL") has increased its cost of investment from U$205,000 (equivalent to $274,000) to US$208,000 (equivalent to $278,000) for a cash consideration of US$3,000 (equivalent to $4,000) in a wholly-owned subsidiary, Ternary Technologies (Shenzhen) Limited.

b) Incorporation of subsidiaries

(i) On 31 July 2014, DDSPL incorporated a 77.5% owned subsidiary in QuickCheck Technology Limited ("QCT") in Samoa to undertake investment holding activities. The cost of investment of QCT was HK$387,500 (equivalent to $62,194).

(ii) On 13 November 2014, a subsidiary of the Group, QCT incorporated a wholly-owned subsidiary in 迅检码科技(深圳)有限公司("QCS") in China. QCS is principally involved in marketing and distribution of anti-counterfeiting solution. The cost of investment was RMB5,000,000 (equivalent to $1,064,000).

(iii) On 28 November 2014, a subsidiary of the Group, QCS incorporated a 90% owned subsidiary in 深圳迅检文化传播有限公司("QCC") in China. QCC is principally involved in advertising and provision of anti-counterfeiting solution. The cost of investment was RMB5,000,000 (equivalent to $1,064,000).

(iv) On 1 April 2015, DDSPL incorporated a wholly-owned subsidiary in QuickCheck Group Limited ("QCG") in Cayman Islands to undertake investment holding activities. The cost of investment of QCG was RMB1,000,000 (equivalent to $217,000).

Liquidation of subsidiaries and discontinued operations

As announced on 30 June 2015, the board of directors of the Company had decided to dissolve and liquidate its 70% owned subsidiary of the Company, Equation Technology Limited ("ETL"), incorporated in Hong Kong and M3 Electronics GmbH ("M3"), a 100% owned subsidiary of ETL, incorporated in Germany.

The effect of the liquidation of both ETL and M3 on the financial position of the Group are as follows:

	2015 **$'000**
Inventories	555
Trade and other receivables	328
Other current assets	118
Cash and bank balances	526
Financial liabilities	(19)
Trade and other payables	(2,516)
Accruals	(485)
Provision for other liabilities and charges	(193)
Total liabilities derecognised	(1,686)
Less: Non-controlling interests	693
Net liabilities derecognised	(993)
Realisation of foreign currency translation differences	(197)
Gain on liquidation of subsidiaries	1,190
Proceeds from liquidation	–
Less: Cash and cash equivalents	(526)
Net cash outflows on liquidation	(526)

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

14. SUBSIDIARIES (CONTINUED)

Liquidation of subsidiaries and discontinued operations (Continued)

ETL and M3 represent main reportable segment for consumer electronic products of the Group. The liquidation of ETL and M3 meet the criteria for the classification as discontinued operations. Accordingly, the result of operations for the financial year ended 30 June 2015 is presented separately on the income statement as “loss from discontinued operations, net of tax”.

As at financial year ended 30 June 2016, ETL and M3 have completed the process of liquidation.

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

	2015 $'000
Revenue	6,052
Cost of sales	(4,480)
Gross profit	1,572
Other income	156
Distribution expenses	(1,953)
Administrative expenses	(467)
Other expenses	(1,644)
Finance costs	(281)
Gain on liquidation of subsidiaries	1,190
Loss from discontinued operations	(1,427)
Income tax expense	–
Loss from discontinued operations, net of tax	(1,427)

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

	Group 2015 $'000
Audit fees paid/payable to:	
– auditors of the Company	36
– other auditors	2
Staff costs	1,028
Contributions to defined contribution plans, included in staff costs	142
Interest expense	281
Interest income	(17)
Depreciation of property, plant and equipment	12
Gain on liquidation of subsidiaries	(1,190)
Legal and other professional fees	22
Operating leases expense	36
Provision for warranty	293
Write-down on inventories	919
Write-off of trade and other receivables	36
Write-off of other current assets	296
Write-off of property, plant and equipment	28
Foreign exchange loss/(gain) (net)	284

14. SUBSIDIARIES (CONTINUED)

Liquidation of subsidiaries and discontinued operations (Continued)

Discontinued operations

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

	2015 $'000
	Generated from/ (used in)
Operating cash flows	(390)
Investing cash flows	17
Financing cash flows	(8)

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

The Group has the following subsidiary that has NCI that are 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 2016					
Equation Resources Pte. Ltd.	Singapore	18.4%	(1,009)	(8,144)	–
30 June 2015					
Equation Resources Pte. Ltd.	Singapore	18.4%	(166)	(7,135)	–

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

Summarised financial information about subsidiaries with material NCI

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

	2016 $'000	2015 $'000
Current		
Assets	3,476	3,500
Liabilities	(45,529)	(45,248)
Net current liabilities	(42,053)	(41,748)
Non-current		
Assets	5,939	11,016
Liabilities	–	(609)
Net non-current assets	5,939	10,407
Net liabilities	(36,114)	(31,341)

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14. SUBSIDIARIES (CONTINUED)

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

Summarised income statement

	2016 $'000	2015 $'000
Revenue	–	–
Loss for the financial year	(5,482)	(903)
Total comprehensive income for the financial year	(5,482)	(903)

Other summarised information

	2016 $'000	2015 $'000
Net cash flows (used in)/from operating activities	(25)	641

15. ASSOCIATES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Equity investments at cost	26	40	–	13
Share of post-acquisition reserve	(2)	(1)	–	–
Impairment losses	–	(13)	–	(13)
Exchange differences	3	–	–	–
	27	26	–	–

The details of the associates are as follows:

Name of associate	Principal activities	Place of business/ Country of incorporation business	Effective equity holding 2016 %	Effective equity holding 2015 %
Safuan Resources Pte. Ltd	Struck off#	Singapore	–	–
Siam Pattana Equation Co., Ltd.[a]	Dormant	Thailand	49.0	49.0
United Digital Technology Pte. Limited[b]	Dormant	Hong Kong	33.3	32.5

(a) Audited by Bestchoy Consulting, Thailand.

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

\# On 17 September 2015, Safuan Resources Pte. Ltd has been struck off from the Registered of Companies pursuant to Section 344(2) of the Singapore Companies Act, Chapter 50.

15. ASSOCIATES (CONTINUED)

In September 2009, Equation Recycling Pte. Ltd. ("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.

In September 2014, a wholly-owned subsidiary, Disa Digital Safety Pte. Ltd. ("DDSPL") took up 32.5% investment in United Digital Technology Pte. Limited ("UDT") in Hong Kong. UDT is principally involved in marketing and distribution of anti-counterfeiting solution. The cost of investment was HK$162,500 (equivalent to $26,000).

In October 2015, DDSPL acquired additional 0.84% investment in UDT. The cost of investment was HK$4,000 (equivalent to $753).

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

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Balance as at 1 July	13	–	13	–
Charge to profit or loss	–	13	–	13
Write-off	(13)	–	(13)	–
Balance as at 30 June	–	13	–	13

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).

	2016 $'000	2015 $'000
Assets and liabilities:		
Non-current assets	–	1
Current assets	80	198
Total assets	80	199
Current liabilities	–	375
Total liabilities	–	375
Results:		
Revenue	–	–
Loss for the financial year	(4)	(2)

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

	2016 $'000	2015 $'000
Revenue	–	–
Loss for the financial year	(4)	(2)
Total comprehensive income for the financial year	(4)	(2)

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16. JOINT VENTURES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Equity investments at cost	280	280	280	280
Share of post-acquisition reserve	(261)	(223)	–	–
	19	57	280	280

Details of the joint ventures are as follows:

Name of joint venture	Principal activities	Place of business/ Country of incorporation business	Effective equity holding 2016 %	Effective equity holding 2015 %
Aquarius Tech Pte. Ltd.[a]	Research and development of software and hardware, wireless technology and electronic products	Singapore	50	50
Citrine Solution Pte. Ltd.[b]	Research and development of software and hardware	Singapore	50	50
Citrine System (S) Pte. Ltd. (f.k.a Citrine Wireless Pte. Ltd.)[b]	Research and development of software and hardware, wireless technology and electronic products	Singapore	50	50
Held by Citrine System (S) Pte. Ltd.				
Capital Eagle Holdings Limited[c]	Holding of intellectual properties arising from the joint development of a bluetooth-enabled anti-parrot broadcast system	Samoa	50	–
Citrine Wireless (Guangzhou) Limited.[c]	Sales, research and development of computer software and hardware	China	100	–

[a] Exempted from audit.

[b] Audited by Mazars LLP, Singapore.

[c] Statutory audit is not required in the country of incorporation.

Investment in a joint venture, Capital Eagle Holdings Limited

On 15 September 2015, a joint venture of the Group, Citrine System (S) Pte Ltd ("CSSPL") took up an investment in Capital Eagle Holdings Limited, a 50% joint venture in Samoa. Capital Eagle Holdings Limited is principally involved in holding of intellectual properties arising from the joint development of a bluetooth-enabled anti-parrot broadcast system. The cost of investment was US$10,000 (equivalent to $6,800).

16. **JOINT VENTURES** (CONTINUED)

Incorporated a subsidiary, Citrine Wireless (Guangzhou) Limited. ("CWGZL")

On 9 September 2015, a joint venture of the Group, CSSPL incorporated a wholly-owned subsidiary, CWGZL in China. CWGZL is principally involved in sales, research and development of computer software and hardware. The cost of investment was RMB500,000 (equivalent to $110,500).

Investment in a joint venture, Citrine Solution Pte. Ltd. ("CSPL")

On 13 August 2014, the Company took up an investment in CSPL, a 50% joint venture in Singapore. The initial cost of investment was $2,500 and is principally involved in research and development of software and hardware. The Company jointly controls the venture with a third party under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

On 26 November 2014, the Company increased its investment in CSPL from $2,500 to $100,000. Following the increase in investment, CSPL remains a joint venture of the Company.

Increase in investment in a joint venture, Aquarius Tech Pte. Ltd. ("ATPL")

On 15 August 2014, the Company increased its investment in ATPL from $500 to $15,000. Following the increase in investment, ATPL remains a joint venture of the Company.

Increase in investment in a joint venture, Citrine System (S) Pte. Ltd. ("CSSPL")

On 16 October 2014, the Company increased its investment in CSSPL from $50,000 to $165,000. Following the increase in investment, CSSPL remains a joint venture of the Company.

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	
	2016	**2015**
	$'000	**$'000**
Assets and liabilities:		
Non-current assets	18	16
Current assets	441	292
Total assets	459	308
Current liabilities	1,328	507
Total liabilities	1,328	507
Results:		
Revenue	244	20
Expenses	(905)	(777)
Loss for the financial year	(661)	(757)

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16. JOINT VENTURES (CONTINUED)

Increase in investment in a joint venture, Citrine System (S) Pte. Ltd. ("CSSPL") (Continued)

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

	Group	
	2016 $'000	2015 $'000
Revenue	244	20
Loss for the financial year	(661)	(757)
Total comprehensive income for the financial year	(661)	(757)

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade receivables	5,866	6,277	–	–
Impairment losses	(3,172)	(820)	–	–
	2,694	5,457	–	–
Other receivables	1,634	1,700	318	284
Amount due from a related party	653	66	1,102	222
Impairment losses	(427)	(436)	(218)	(148)
	1,860	1,330	1,202	358
Total trade and other receivables (net)	4,554	6,787	1,202	358
Non-current	960	633	1,102	222
Current	3,594	6,154	100	136
	4,554	6,787	1,202	358

Trade receivables are non-interest bearing and the average credit period on sale of goods ranges from 30 to 90 (2015: 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	
	2016 S$'000	2015 S$'000
Past due more than 90 days	3,172	820

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the allowance for doubtful receivables are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
At beginning of financial year	820	807
Allowance charged to profit or loss	2,371	–
Allowance written off during the financial year	(18)	(4)
Exchange translation differences	(1)	17
At end of financial year	3,172	820

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

	Group	
	2016	**2015**
	$'000	**$'000**
Singapore dollars	2,501	5,261
United States dollars	193	196
	2,694	5,457

The Group has ongoing legal proceedings for 53% (2015: 72%) of total outstanding trade and other receivables of which the Group expects to recover $2,434,000 (2015: $2,434,000) through the enforcement of proceedings of the arbitral award against KDH as disclosed in Note 18. Based on legal advice obtained, the Group believes that no 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 $653,000 (2015: $66,000) is unsecured and bears interest at a rate of 5.35% (2015: 5.35%) per annum. The Company does not expect the amount to be repaid within next twelve months from the statement of financial position date.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of financial year	436	427	148	148
Allowance charged to profit or loss	101	–	71	–
Allowance written off during the financial year	(108)	–	–	–
Exchange translation difference	(2)	9	(1)	–
At end of financial year	427	436	218	148

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17. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Singapore dollars	1,758	1,181	1,202	302
United States dollars	–	56	–	56
Chinese Renminbi	102	93	–	–
	1,860	1,330	1,202	358

18. 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	Loans to third parties (c) $'000	Total $'000
Cost					
Balance as at 1 July 2014	12,685	815	171	783	14,454
Translation differences on consolidation	–	–	(1)	–	(1)
Balance as at 30 June 2015 and 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	12,685	815	120	–	13,620
Amortisation or impairment					
Balance as at 1 July 2014	1,748	620	15	407	2,790
Liquidation of subsidiaries	–	–	–	118	118
Amortisation during the year	–	116	–	–	116
Reclassification to other receivables	–	–	–	48	48
Write-off	–	–	35	–	35
Balance as at 30 June 2015 and 1 July 2015	1,748	736	50	573	3,107
Translation differences on consolidation	(2)	1	–	–	(1)
Impairment losses	5,000	–	–	–	5,000
Amortisation during the year	–	78	–	–	78
Write-off	–	–	(50)	(573)	(623)
Balance as at 30 June 2016	6,746	815	–	–	7,561
Net carrying amount					
Balance as at 30 June 2015	10,937	79	120	210	11,346
Balance as at 30 June 2016	5,939	–	120	–	6,059

18. OTHER NON-CURRENT ASSETS (CONTINUED)

(a) Prepayment for rights, interest in and ownership of granite as at 30 June 2016 and 2015 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"), a 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 was completed in early November 2013.

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 registered the arbitral award at Central Jakarta District Court.

The management has made an assessment of the fair value of the amount outstanding based on the discounted cash flow arising from the granite reserve over the mining period of 17 years. An impairment loss of the Group's other non-current assets amounted to approximately S$5,000,000 (2015: Nil). The key assumptions used in discounted cash flows include the discount rate based on weighted average cost of capital of 11.7% and production output of 720,000 tonnes per year.

(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.

(c) The Company has a loan amounting to $210,000 which was provided to a third party. This loan to a third party bear interest rate at 6.00% (2015: ranging from 6.00%) per annum, is unsecured and repayable by June 2017 (2015: June 2017). This loan is to be settled in cash. The Company has reclassified the loan from other non-current assets to other current assets due to the loan is to be settled within the next twelve months.

	Company	
	2016	**2015**
	$'000	**$'000**
Amounts due from subsidiaries	48,295	47,738
Impairment losses	(47,540)	(34,839)
	755	12,899
Club membership	–	15
Impairment losses	–	(15)
	–	–
Loan to a third party	–	210
	755	13,109

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18. OTHER NON-CURRENT ASSETS (CONTINUED)

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 9% to 33% (2015: 8% to 38%). 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 $12,701,000 (2015: $616,000) 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.

Of the amounts due from subsidiaries are non-trade loans and advances of $41,739,000 (2015: $44,478,000) which are unsecured and have no fixed term of repayment. The weighted average effective interest rate per annum is 1.05% (2015: 0.83%). The remaining balance of $6,556,000 (2015: $3,260,000) 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	
	2016	2015
	$'000	$'000
At beginning of financial year	34,839	54,287
Allowance charged to profit or loss	12,701	616
Liquidated/Struck off	–	(20,064)
At end of financial year	47,540	34,839

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

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Singapore dollars	120	11,346	755	4,933
United States dollars	–	–	–	7,761
Chinese Renminbi	–	–	–	415
	120	11,346	755	13,109

19. INVENTORIES

	Group	
	2016 $'000	2015 $'000
Statement of financial position:		
Finished goods	71	86
Income statement:		
Inventories recognised as an expense in cost of sales	110	3,455
Write-down in inventories	–	919

20. OTHER CURRENT ASSETS

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Deposits for trade purchases	418	418	350	350
Refundable deposits	449	453	169	170
Prepayments	177	265	73	125
Amount due from minority shareholder in subsidiary	43	43	–	–
Other recoverable	1,452	1,468	–	–
Loan to a third party	210	–	210	–
Interest receivable	28	15	28	15
Deposit paid to secure potential investment	1,000	1,000	1,000	1,000
	3,777	3,662	1,830	1,660
Impairment losses	(2,210)	(2,210)	(1,350)	(1,350)
	1,567	1,452	480	310

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.

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

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
At beginning of financial year	2,210	2,183	1,350	1,350
Exchange translation differences	–	27	–	–
At end of financial year	2,210	2,210	1,350	1,350

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20. OTHER CURRENT ASSETS (CONTINUED)

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

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Deposits for trade purchases	350	350	350	350
Amount due from minority shareholder in subsidiary	43	43	–	–
Other recoverable	817	817	–	–
Deposit paid to secure potential investment	1,000	1,000	1,000	1,000
Balance as at 30 June	2,210	2,210	1,350	1,350

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

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Singapore dollars	934	805	480	310
United States dollars	577	578	–	–
Hong Kong dollars	20	37	–	–
Chinese Renminbi	36	32	–	–
	1,567	1,452	480	310

21. CASH AND BANK BALANCES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash at banks and on hand	1,332	6,797	509	5,641
Short-term bank deposits	4,011	61	4,011	61
	5,343	6,858	4,520	5,702

Short-term bank deposits at the reporting date have maturity range from 1 month to 6 months (2015: 6 months) from the end of the financial year with the following weighted average effective interest rates per annum:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Singapore dollar	0.10 to 0.75	0.10	0.10 to 0.75	0.10

21. CASH AND BANK BALANCES (CONTINUED)

Included in the deposits placed with banks as security amounting to $61,000 (2015: $61,000) was security charges pledged with banks for facilities.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollars	4,896	6,205	4,503	5,682
United States dollars	106	315	–	–
Euro	28	25	17	20
Hong Kong dollars	290	292	–	–
Chinese Renminbi	23	21	–	–
	5,343	6,858	4,520	5,702

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	
	2016	**2015**
	$'000	**$'000**
Cash and bank balances	5,343	6,858
Deposits placed with banks as security	(61)	(61)
Cash and cash equivalents as presented in consolidated statement of cash flows	5,282	6,797

22. SHARE CAPITAL

	Group and Company			
	2016		**2015**	
	No. of shares '000	**$'000**	**No. of shares '000**	**$'000**
Issued and fully paid:				
Balance as at 1 July	5,113,730	154,474	4,913,730	153,074
Share issue pursuant to:				
Ordinary shares				
– Private placement	–	–	200,000	1,400
Balance as at 30 June	5,113,730	154,474	5,113,730	154,474

On 13 March 2015, the Company issued 200,000,000 new ordinary shares at $0.007 per share pursuant to subscription agreement entered between the Company and subscriber. The total proceeds for the issue of share capital were $1,400,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

22. SHARE CAPITAL (CONTINUED)

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.

23. SHARE-BASED PAYMENTS

Equation Share Option Scheme ("ECL ESOS")

The ECL ESOS ("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 ("ESOS 1999") that was approved and adopted by members of the Company at an 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.

On 8 January 2015, the Company granted an aggregate of 10,000,000 share options, at $0.006 per share pursuant to the ESOS 2010.

Other information regarding the ECL 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.

- 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.

23. SHARE-BASED PAYMENTS (CONTINUED)

Equation Share Option Scheme ("ECL ESOS") (Continued)

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

	2016		2015	
	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	0.033[(a)]	550
Lapsed/Expired	(0.033)	(550)	–	–
Balance as at 30 June	–	–	0.033[(a)]	550
ESOS 2010				
Balance as at 1 July	0.006[(b)]	10,000	–	–
Granted	–	–	0.006[(b)]	10,000
Balance as at 30 June	0.006[(b)]	10,000	0.006[(b)]	10,000
Exercisable as at 30 June:				
ESOS 1999	–	–	0.033[(a)]	550
ESOS 2010	0.006[(b)]	10,000	0.006[(b)]	10,000

As required under Rule 849 of the Rules of Catalist, the ECL ESOS must provide for adjustment of subscription or option price or the number or amount of securities under the ECL 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 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 ESOS 2010.

No options were exercised in the current financial year.

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**	**2016 '000**	**2015 '000**
17/4/2006	16/4/2016	0.033	–	550
8/1/2015	7/1/2025	0.006	10,000	10,000
			10,000	10,550

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

23. SHARE-BASED PAYMENTS (CONTINUED)

Equation Share Option Scheme ("ECL ESOS") (Continued)

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**
Fair value at measurement date	$54,000
Share price	$0.007
Exercise price	$0.006
Expected volatility	103.86%
Expected option life	10 years
Expected dividends	0%
Risk-free interest rate	2.34%

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.

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.

Equation Performance Shares Scheme ("ECL PS Scheme")

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

The ECL PS Scheme differs from the existing ECL ESOS in that it allows the Company to target specific performance objectives and to provide an incentive for participants in the ECL PS Scheme ("Participants") to achieve these targets. The ECL ESOS, on the other hand, provides a more broad-based incentive that is based on the overall performance of the Company. The ECL PS Scheme is not intended to replace the existing ECL 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 ECL PS Scheme (the "Award") will be determined at the sole discretion of the ECL PS Scheme Committee, which will oversee and administer the ECL PS Scheme.

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

23. SHARE-BASED PAYMENTS (CONTINUED)

Equation Performance Shares Scheme ("ECL PS Scheme") (Continued)

The principal terms of the ECL 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 ECL 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 ECL ESOS shall not exceed 25% of the shares available under this ECL 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 ECL PS Scheme.
- The ECL PS Scheme shall continue to be in force at the discretion of the ECL PS Scheme Committee, subject to a maximum period of 10 years commencing on the Date of Approval (expiring on 30 October 2018) of the ECL PS Scheme, provided always that the ECL 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.

Participants of the ECL PS Scheme

In respect of the ECL 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 ECL PS Scheme Committee may determine and have attained the age of 21 years on or before the date of commencement of the ECL PS Scheme;
- Executive Directors of the Company and its subsidiaries; and
- Non-Executive Directors (including Independent Directors) of the Company and its subsidiaries.

The ECL 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.

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade payables – third parties	1,896	1,960	–	–
Other payables:				
– subsidiaries	–	–	42	834
– an associate	22	25	–	–
– a director	19	–	19	–
– minority shareholders of subsidiaries	259	263	–	–
– third parties	551	667	140	200
	851	955	201	1,034
Deposits received	281	424	151	151
Others	11	197	(4)	–
Total trade and other payables	3,039	3,536	348	1,185

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24. TRADE AND OTHER PAYABLES (CONTINUED)

Included in the trade payables is an amount of S$289,000 (2015: S$289,000) which is payable to KDH (Note 18).

The other payables to certain subsidiaries, an associate and minority shareholders of subsidiaries are unsecured, interest-free and are repayable on demand.

The other payables due to a subsidiary of $42,000 (2015: $834,000) are unsecured, interest-free (2015: interest-free) and are repayable on demand. These amounts are expected to be settled in cash.

The other payable 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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Singapore dollars	2,139	2,633	276	335
United States dollars	839	840	72	850
Euro	25	–	–	–
Hong Kong dollars	–	28	–	–
Malaysian Ringgit	4	4	–	–
Indonesia Rupiah	32	31	–	–
	3,039	3,536	348	1,185

25. ACCRUALS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Accrued interests	1,635	1,268	176	–
Accrued staff costs	705	660	58	62
Accrued operating expenses	421	1,108	325	398
	2,761	3,036	559	460
Non-current	761	–	176	–
Current	2,000	3,036	383	460
	2,761	3,036	559	460

Non-current accruals comprise mainly accruals of salaries payable to directors of a subsidiary that has been deferred.

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

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Singapore dollars	2,737	3,008	559	460
Euro	16	17	–	–
Chinese Renminbi	8	11	–	–
	2,761	3,036	559	460

26. FINANCIAL LIABILITIES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Non-current				
Loan from a third party[a]	385	609	385	–
Finance lease liabilities	85	117	85	117
	470	726	470	117
Current				
Loan from a third party[a]	–	456	–	–
Finance lease liabilities	33	67	33	67
Secured loan[b]	115	299	–	–
Convertible loan[c]	6,815	6,624	–	–
	6,963	7,446	33	67
	7,433	8,172	503	184

(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% (2015: 3.02%) 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. On 30 June 2016, the lender, an unrelated third party agreed not to demand repayment of the loan amounting to $385,000 during the next twelve months up till 30 June 2017.

(b) 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 may be required for repayment at any time by the lender.

(c) 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 lapse 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.

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26. FINANCIAL LIABILITIES (CONTINUED)

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

	2016			2015		
	Principal $'000	Interest $'000	Payments $'000	Principal $'000	Interest $'000	Payments $'000
Group and Company						
Within 1 year	33	4	37	67	7	74
Between 1 and 5 years	85	4	89	117	9	126
	118	8	126	184	16	200

Terms and debt repayment schedule

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

		2016			2015		
	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	7.00	7,000	6,624
Fixed interest rate loan	2014-2017	9.25	115	115	9.13	299	299
Variable interest rate loans	2011-2017	4.84	385	385	3.59	1,065	1,065
Finance lease liabilities	2009-2019	7.37	118	118	8.30	184	184
			7,618	7,433		8,548	8,172
Company							
Variable interest rate loans	2011-2017	4.84	385	385		–	–
Finance lease liabilities	2009-2019	7.37	118	118	8.30	184	184
			503	503		184	184

26. FINANCIAL LIABILITIES (CONTINUED)

Terms and debt repayment schedule (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
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	–
2015					
Non-derivative financial liabilities					
Fixed interest rate convertible loan	6,624	8,750	8,750	–	–
Fixed interest rate loan	299	322	322	–	–
Variable interest rate loans	1,065	1,104	483	621	–
Finance lease liabilities	184	200	74	126	–
	8,172	10,376	9,629	747	–

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
2016					
Non-derivative financial liabilities					
Variable interest rate loans	385	403	–	403	–
Finance lease liabilities	118	126	37	89	–
	503	529	37	492	–
2015					
Non-derivative financial liabilities					
Finance lease liabilities	184	200	74	126	–

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27. DERIVATIVE INSTRUMENT

	Group	
	2016	2015
	$'000	$'000
Derivative instrument	21	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 and the Sculptor Investors, pursuant to which, the Sculptor Investors agreed to grant to Disa 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 26(c)).

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 26(c): $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 $21,000 (2015: $21,000) (Note 34).

28. DEFERRED TAX LIABILITIES

	Group	
	2016	2015
	$'000	$'000
Deferred tax liabilities:		
Balance as at 1 July	2,506	3,008
Credit to profit or loss (Note 9)	(239)	(502)
Balance as at 30 June	2,267	2,506
Deferred tax liabilities as at 30 June related to the following:		
Differences arising from intangible assets	2,267	2,506

29. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Group	Warranties $'000	Legal $'000	Others $'000	Total $'000
Balance as at 1 July 2014	289	–	12	301
Provision made	293	–	–	293
Provision used	(356)	–	–	(356)
Liquidation of subsidiaries	(193)	–	–	(193)
Translation differences on consolidation	(33)	–	–	(33)
Balance as at 30 June 2015 and 1 July 2015	–	–	12	12
Provision made	–	522	–	522
Write-off	–	–	(12)	(12)
Balance as at 30 June 2016	–	522	–	522
Company				
Balance as at 1 July 2014 and 30 June 2015	–	–	12	12
Balance as at 1 July 2015	–	–	12	12
Write-off	–	–	(12)	(12)
Balance as at 30 June 2016	–	–	–	–

29. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (CONTINUED)

In 2016, the provision for legal 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 S$510,000 which is included in the provision made of S$522,000.

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

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Singapore dollars	522	12	–	12
	522	12	–	12

30. 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Future minimum lease payments payable:				
Within 1 year	726	1,157	262	624
After 1 year but within 5 years	96	385	96	358
	822	1,542	358	982

The leases have its tenure from 1 year to 3 years, with an option to renew the lease for another 1 to 3 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 lease expenditure charged to profit or loss during the financial year is disclosed in Note 7 to the financial statements.

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Within 1 year	722	1,353	183	631
After 1 year but within 5 years	–	193	–	183
	722	1,546	183	814

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

31. CONTINGENCIES

Details of contingent liabilities are as follows:

Company

As at 30 June 2016:

(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 2016, the Company has granted corporate guarantees amounting to $7,115,000 (2015: $7,299,000) to certain financial institutions in respect of facilities extended to these subsidiaries.

(b) The Company had given a corporate guarantee amounting to $853,000 (2015: $853,000) to a financial institution in respect of facilities extended to an investee of the Company's investment in redeemable preference shares (Note 11), such guarantee was not utilised at the end of the reporting period.

32. 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	
	2016 $'000	2015 $'000
Other services		
Interest income from a related party	37	3
Usage of facilities from related parties	76	16

Key management personnel compensation

	Group	
	2016 $'000	2015 $'000
Short-term employee benefits	1,195	1,497
Central Provident Fund contribution	58	68
	1,253	1,565
Comprise amounts paid to:		
Directors of the Company	545	641
Other key management personnel	708	924
	1,253	1,565

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.

33. SEGMENT INFORMATION

The Group has five 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 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 14, the Group liquidated its subsidiaries, ETL and M3 which represent main reportable segment for consumer electronic products of the Group.

For the financial year ended 30 June 2016, the Group comprises the following main reportable segments:

- E-waste/Recycling;
- Supply of construction materials;
- Energy management services;
- Technology; and
- Investment holding and others.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

33. SEGMENT INFORMATION (CONTINUED)

Analysis by business segment

	E-waste/ Recycling $'000	Consumer electronic products $'000	Supply of construction materials $'000	Energy management services $'000	Technology $'000	Investment holding and others $'000	Total $'000
2016							
Continuing operations							
External revenue	387	–	–	450	–	–	837
Share of results of associates	–	–	–	–	(1)	–	(1)
Share of results of joint ventures	–	–	–	–	–	(330)	(330)
Reportable segment profit/(loss) after income tax from continuing operations	323	–	(5,100)	206	(4,950)	(2,213)	(11,734)
Discontinued operations							
Loss from discontinued operations after tax							–
							(11,734)
Other material non-cash items:							
Continuing operations							
– Interest expense	–	–	(16)	(20)	(540)	(12)	(588)
– Depreciation and amortisation	(19)	–	–	–	(1,416)	(52)	(1,487)
– Impairment loss on prepayment for right, interest in and ownership of granites	–	–	(5,000)	–	–	–	(5,000)
– Impairment loss on trade and other receivables	(30)	–	–	–	(2,371)	(71)	(2,472)
– Provision for legal liabilities	–	–	(522)	–	–	–	(522)
– Reversal of long outstanding payables and overstated accruals	165	–	522	–	–	12	699
Reportable segment assets	667	–	9,415	937	915	21,435	33,369
Capital expenditure:							
– Property, plant and equipment	–	–	–	–	(4)	(6)	(10)
Reportable segment liabilities	(666)	–	(2,526)	(198)	(9,018)	(3,635)	(16,043)

33. SEGMENT INFORMATION (CONTINUED)

Analysis by business segment (Continued)

	E-waste/ Recycling $'000	Consumer electronic products $'000	Supply of construction materials $'000	Energy management services $'000	Technology $'000	Investment holding and others $'000	Total $'000
2015							
Continuing operations							
External revenue	522	–	–	515	13	–	1,050
Share of results of associates	–	–	–	–	(1)	–	(1)
Share of results of joint ventures	–	–	–	–	–	(372)	(372)
Reportable segment profit/(loss) after income tax from continuing operations	565	–	(690)	133	(3,356)	(1,958)	(5,306)
Discontinued operations							
Loss from discontinued operations after tax							(1,427)
							(6,733)
Other material non-cash items:							
Continuing operations							
– Interest expense	–	–	(38)	(35)	(505)	(10)	(588)
– Depreciation and amortisation	(20)	–	(15)	–	(1,454)	(81)	(1,570)
Reportable segment assets	758	–	14,517	1,450	3,501	23,592	43,818
Capital expenditure:							
– Property, plant and equipment	(3)	–	–	–	–	(1)	(4)
Reportable segment liabilities	(1,027)	–	(3,766)	(458)	(8,519)	(3,513)	(17,283)
Discontinued operations							
– Interest expense	–	(281)	–	–	–	–	(281)
– Depreciation and amortisation	–	(12)	–	–	–	–	(12)
– Gain on liquidation of subsidiaries	–	1,190	–	–	–	–	1,190
– Write-down on inventories	–	(919)	–	–	–	–	(919)
– Write-off of other current assets	–	(296)	–	–	–	–	(296)

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

33. **SEGMENT INFORMATION** (CONTINUED)

Analysis by business segment (Continued)

	Group 2016 $'000	Group 2015 $'000
Continuing operations		
Revenue		
Total revenue for reportable segments	837	1,050
Elimination of inter-segment revenue	–	–
Consolidated revenue	837	1,050
Profit or loss		
Total loss for reportable segments	(11,642)	(5,437)
Share of results of associates	(1)	(1)
Share of results of joint ventures	(330)	(372)
Consolidated loss before income tax	(11,973)	(5,810)

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Continuing operations						
Singapore	837	1,037	32,828	43,167	10	4
Germany	–	–	6	7	–	–
Others	–	13	535	644	–	–
	837	1,050	33,369	43,818	10	4

Information about major customers

Revenues from two (2015: three) customers of the Group each exceeded 10% of the Group's total revenues and collectively represented approximately $327,000 (2015: $424,000) of the Group's total revenues.

34. 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. 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 judgments 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.

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

34. 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) 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 categorized 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
2016				
Liabilities				
Derivative instrument (Note 27)	–	–	21	21
2015				
Liabilities				
Derivative instrument (Note 27)	–	–	21	21

There has been no transfer between Level 1, Level 2 and Level 3 for the Group and Company during 2016 and 2015.

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).

	2016 $'000	2015 $'000
Group		
Balance as at 1 July	21	50
Fair value gain recognised in profit or loss	–	(29)
Balance as at 30 June	21	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 2016 $'000	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs
Derivative instrument	21	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 $22,000/($13,000).

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Level 3 Financial Liabilities Measured at Fair Value (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 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 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.

35. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Group's activities expose it to credit risks, market risks (including foreign currency risks, interest rate risks and equity price risks) and liquidity risks. 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 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. One of the subsidiaries purchases credit insurance for its customers to ensure receivables will be collectible up to a pre-determined percentage of their face value, in event of default by the customers. Cash and short term bank deposits are placed with banks and financial institutions, which are regulated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

35. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risk (Continued)

The age analysis of net trade receivables is as follows:

	Group	
	2016 **$'000**	**2015** **$'000**
Not past due	852	1,145
Past due 0 – 30 days	18	106
Past due 31 – 60 days	11	29
Past due more than 60 days	1,813	4,177
	2,694	5,457

The movements in the allowance for impairment in respect of trade receivables during the financial year are disclosed in Note 17 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 impaired, the Group believes that no impairment 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	
	2016 **S$'000**	**2015** **S$'000**
By country:		
Singapore	1,214	3,977
Others	1,480	1,480
	2,694	5,457
By business segment		
Technology	–	2,371
Supply of construction materials	1,802	1,802
Energy management services	884	1,272
E-waste/Recycling	8	12
	2,694	5,457

35. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks

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, 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Monetary assets				
United States dollar	876	1,145	–	7,817
Euro	28	25	17	20
Hong Kong dollar	310	329	–	–
Chinese Renminbi	161	146	–	415
Monetary liabilities				
United States dollar	(839)	(840)	(72)	(850)
Euro	(41)	(17)	–	–
Hong Kong dollar	–	(28)	–	–
Chinese Renminbi	(8)	(11)	–	–
Malaysian Ringgit	(4)	(4)	–	–
Indonesia Rupiah	(32)	(31)	–	–

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	
	S$'000 Strengthened by 10%	S$'000 Weakened by 10%
At 30 June 2016		
United States dollar	4	(4)
At 30 June 2015		
United States dollar	30	(30)

	Company Impact to profit or loss	
	S$'000 Strengthened by 10%	S$'000 Weakened by 10%
At 30 June 2016		
United States dollar	7	(7)
At 30 June 2015		
United States dollar	(697)	697

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

35. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Bank loans	4	11	4	11

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 26 to these financial statements.

35. 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 $'000	1 to 5 years $'000	Total $'000
2016			
Financial assets:			
Available-for-sale	2,222	–	2,222
Trade and other receivables	3,620	1,036	4,656
Other assets	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)

Group	1 year or less $'000	1 to 5 years $'000	Total $'000
2015			
Financial assets:			
Available-for-sale	–	2,222	2,222
Trade and other receivables	6,102	674	6,776
Other assets	1,187	210	1,397
Cash and bank balances	6,858	–	6,858
	14,147	3,106	17,253
Financial liabilities:			
Financial liabilities	9,629	747	10,376
Trade and other payables	3,536	–	3,536
Accruals	3,036	–	3,036
	16,201	747	16,948
Total net undiscounted financial assets/(liabilities)	(2,054)	2,359	305

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35. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Liquidity risk (Continued)

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	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

Company	1 year or less $'000	1 to 5 years $'000	Total $'000
2015			
Financial assets:			
Available-for-sale	–	2,222	2,222
Trade and other receivables	136	222	358
Other assets	185	13,109	13,294
Cash and bank balances	5,702	–	5,702
	6,023	15,553	21,576
Financial liabilities:			
Financial liabilities	74	126	200
Trade and other payables	1,185	–	1,185
Accruals	460	–	460
	1,719	126	1,845
Total net undiscounted financial assets	4,304	15,427	19,731

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
2016			
Corporate guarantee	7,968	–	7,968
2015			
Corporate guarantee	7,299	853	8,152

35. 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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Loan and receivables	10,625	14,366	6,885	19,354
Financial liabilities at amortised cost	13,115	14,560	1,292	1,645

36. 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	
	2016	2015
	$'000	$'000
Total borrowings	7,433	8,172
Equity	17,326	26,535
Debt to equity ratio	0.43	0.31

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

37. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 12 July 2016, the Company announced that its wholly-owned subsidiary, Disa Digital Safety Pte. Ltd. (“DDSPL”) has acquired 100% shareholding interest, comprising 75,000 ordinary shares in Disa Digital Safety (USA) (“Disa USA”), a company incorporated in the United States of America, for a total cash consideration of US$1.

On 22 August 2016, the Company announced that its subsidiary, Equation Resources Pte. Ltd. (“ERPL”) has been served an Originating Summons by the lawyers acting for Goodhill Enterprise (S) Pte Ltd (“Goodhill”), for which Goodhill has applied the High Court of The Republic of Singapore for the winding-up of ERPL in respect of their claim against ERPL for the breaching of a fixture note as well as for loss and damage suffered as a result of breach. On 13 September 2016, the approval has been granted to an application made in the High Court of The Republic of Singapore to adjourn the winding-up application of ERPL by Goodhill.

STATISTICS OF SHAREHOLDINGS

Number of Shares	:	5,113,729,645
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per Share

The Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 16 SEPTEMBER 2016

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	35	0.39	507	0.00
100 – 1,000	344	3.86	309,467	0.01
1,001 – 10,000	2,817	31.64	17,388,408	0.34
10,001 – 1,000,000	5,289	59.41	788,841,680	15.42
1,000,001 and above	418	4.70	4,307,189,583	84.23
TOTAL	**8,903**	**100.00**	**5,113,729,645**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 16 SEPTEMBER 2016

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	CHNG WENG WAH	512,224,132	10.02
2	CITIBANK NOMINEES SINGAPORE PTE LTD	490,658,000	9.59
3	JOHN WONG WENG FOO	200,000,000	3.91
4	MAYBANK KIM ENG SECURITIES PTE LTD	193,627,341	3.79
5	OCBC SECURITIES PRIVATE LIMITED	145,249,350	2.84
6	CHANG FOO HWA	143,587,000	2.81
7	TAN HUI SONG	140,529,146	2.75
8	UNITED OVERSEAS BANK NOMINEES PTE LTD	132,134,250	2.58
9	DBS NOMINEES (PRIVATE) LIMITED	119,900,059	2.34
10	LIM HONG KIA	108,260,300	2.12
11	AVVENTURA HOLDINGS LIMITED	54,500,000	1.07
12	SOH KHENG YEOW AUGUSTINE	45,000,000	0.88
13	LOW AI LIN ELAINE	43,625,000	0.85
14	TAN CHUN KEAT ANDY	41,430,100	0.81
15	NG BEE LEE	40,258,000	0.79
16	RAFFLES NOMINEES (PTE) LIMITED	40,112,800	0.78
17	WEE HUI HIAN	39,888,900	0.78
18	GOLDEN DELTA HOLDINGS LTD	37,277,000	0.73
19	OCBC NOMINEES SINGAPORE PTE LTD	37,013,588	0.72
20	UOB KAY HIAN PRIVATE LIMITED	36,481,500	0.71
	Total	**2,601,756,466**	**50.87**

STATISTICS OF SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS AS AT 16 SEPTEMBER 2016

	Direct Interest		Deemed Interest		Total	
Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Chng Weng Wah	512,224,132	10.02	463,050,000(1)	9.06	975,274,132	19.08
Starbids Ventures Inc.	–	–	463,050,000(2)	9.06	463,050,000	9.06
John Wong Weng Foo	200,000,000	3.91	149,436,000(3)	2.92	349,436,000	6.83

(1) This represents Mr. Chng Weng Wah's deemed interest of 463,050,000 shares held by his family trust, 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. John Wong Weng Foo's deemed interest of 149,436,000 shares held through DBS Vickers Securities (Singapore) Pte Ltd and MayBank Kim Eng Securities Pte. Ltd.

DIRECTORS' INTEREST IN SHARES AS AT 21 JULY 2016

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	512,224,132	10.02	463,050,000(i)	9.06	975,274,132	19.08
Lau Kay Heng	–	–	–	–	–	–
Kan Ah Chye	–	–	–	–	–	–
Toh Hock Ghim	–	–	–	–	–	–

(i) This represents Mr. Chng Weng Wah's deemed interest of 463,050,000 shares held by his family trust, Starbids Ventures Inc..

There were no changes in any of the directors' interests in options of the Company as disclosed in the Directors' Statement section of this annual report between the end of the financial year and 21 July 2016.

PERCENTAGE OF SHAREHOLDING HELD BY PUBLIC

Based on the above available information, approximately 74.09% of the issued ordinary shares of the Company is held by the public as at 16 September 2016 and therefore, Rule 723 of the Rules of Catalist is complied with.

STATISTICS OF WARRANTHOLDINGS

W170802 @ $0.007 each expiring on 02 August 2017

DISTRIBUTION OF WARRANTHOLDERS BY SIZE OF WARRANTHOLDINGS AS AT 16 SEPTEMBER 2016

SIZE OF WARRANTHOLDING	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 – 99	3	0.35	149	0.00
100 – 1,000	4	0.46	4,000	0.00
1,001 – 10,000	18	2.08	96,892	0.00
10,001 – 1,000,000	635	73.50	173,586,399	4.72
1,000,001 and above	204	23.61	3,502,489,616	95.28
TOTAL	**864**	**100.00**	**3,676,177,056**	**100.00**

TWENTY LARGEST WARRANTHOLDERS AS AT 16 SEPTEMBER 2016

	NAME OF WARRANTHOLDERS	NO. OF WARRANTS	%
1	CHNG WENG WAH	461,001,718	12.54
2	CITIBANK NOMINEES SINGAPORE PTE LTD	430,411,500	11.71
3	JOHN WONG WENG FOO	380,000,000	10.34
4	MAYBANK KIM ENG SECURITIES PTE LTD	277,400,900	7.55
5	TAN HUI SONG	180,000,001	4.90
6	OCBC SECURITIES PRIVATE LIMITED	126,848,825	3.45
7	CHANG FOO HWA	114,864,300	3.12
8	LIM HONG KIA	72,000,000	1.96
9	RAFFLES NOMINEES (PTE) LIMITED	70,183,000	1.91
10	WONG HAN YEW	70,000,000	1.90
11	UOB KAY HIAN PRIVATE LIMITED	69,890,320	1.90
12	WEE HUI HIAN	51,401,000	1.40
13	UNITED OVERSEAS BANK NOMINEES PTE LTD	48,051,300	1.31
14	DBS NOMINEES (PRIVATE) LIMITED	43,160,860	1.17
15	CHAN KHENG ANN	39,900,000	1.09
16	WONG CHOO HIN	37,781,000	1.03
17	NG BEE LEE	37,000,000	1.01
18	DBS VICKERS SECURITIES (S) PTE LTD	34,400,000	0.93
19	HUANG QINGPING	32,460,800	0.88
20	WONG WENG TUCK	32,050,000	0.87
	Total	**2,608,805,524**	**70.97**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fortieth Annual General Meeting of Equation Summit Limited will be held at 2 Bukit Merah Central, Podium Block, Level 3, Room P301, Singapore 159835 on Friday, 28 October 2016 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 2016. **(Resolution 1)**

2. To approve Directors' fees of S$213,000 for the financial year ended 30 June 2016. (2015: S$213,000) **(Resolution 2)**

3. To re-elect Mr. Lau Kay Heng, as Director of the Company who would be retiring at the forthcoming Annual General Meeting pursuant to Article 92 of the Company's Constitution. **(Resolution 3)**

   Mr. Lau Kay Heng shall, upon re-election as Director of the Company, remain as the Chairman of the Audit Committee, a member of the 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.

4. To re-appoint Mr. Toh Hock Ghim, as Director of the Company under Article 93 of the Company's Constitution, who was previously re-appointed to hold office until this Annual General Meeting pursuant to Section 153(6) of the Companies Act, Chapter 50, which was in force immediately before 3 January 2016. **(Resolution 4)**

   Mr. Toh Hock Ghim shall, upon appointment as Director of the Company, remain as the Chairman of the Nominating Committee, a member of the Audit Committee and Remuneration Committee of the Company, and shall be considered independent for the purpose of Rule 704(7) of the Rules of Catalist.

5. To re-appoint Mr. Kan Ah Chye, as Director of the Company under Article 93 of the Company's Constitution, who was previously re-appointed to hold office until this Annual General Meeting pursuant to Section 153(6) of the Companies Act, Chapter 50, which was in force immediately before 3 January 2016. **(Resolution 5)**

   Mr. Kan Ah Chye shall, upon appointment as Director of the Company, remain as the Chairman of the Remuneration Committee, a member of the Audit Committee and Nominating Committee of the Company, and shall be considered independent for the purpose of Rule 704(7) of the Rules of Catalist.

6. 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 6)**

7. 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:–

8. **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 (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 (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 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 Singapore Exchange Securities Trading Limited 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 7)

NOTICE OF ANNUAL GENERAL MEETING

9. **Authority to grant options and to issue shares under the Equation Share Option Scheme 2010 (the "ECL Scheme 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 ECL Scheme 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 ECL Scheme 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 ECL Scheme 2010 and ECL Performance Shares Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time, as determined in accordance with the provisions of the ECL Scheme 2010." **(Resolution 8)**

10. **Authority to issue shares under ECL 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 ECL 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 ECL PS Scheme and any other share based schemes (including the ECL Scheme 2010) of the Company shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time." **(Resolution 9)**

11. **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 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;

NOTICE OF ANNUAL GENERAL MEETING

(c) in this Ordinary Resolution:

"**Average Closing Price**" means the average of the last dealt prices 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 the Off-Market Purchase, and deemed to be adjusted, in accordance with the Rules of Catalist, for any corporate action that 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 an Off-Market Purchase, 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**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed (i) in the case of a Market Purchase of a Share, 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 of a Share, 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 10)**

By Order of the Board
Kenneth Leong
Company Secretary

Date: 13 October 2016

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 7 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, 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) at the time that Ordinary Resolution 7 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 7 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

(b) The Ordinary Resolution 8 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 ECL Scheme 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 ECL Scheme 2010 not exceeding 15% of the total number of issued shares excluding treasury shares of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

(c) The Ordinary Resolution 9 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 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 ECL PS Scheme up to a number not exceeding in total (for the entire duration of the ECL PS Scheme) 15% of the total number of issued shares excluding treasury shares 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 ECL 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) of the Company from time to time.

(d) The Ordinary Resolution 10 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) 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 2016 are set out in greater detail in the Letter to Shareholders dated 13 October 2016 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.

EQUATION SUMMIT LIMITED

(Company Registration No. 197501110N)
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this form)

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.

I/We* ____ (Name) ______________ (NRIC/Passport No.*)

of ____ (Address)

being a Member/Members* of Equation Summit 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, 28 October 2016 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 2016.		
2.	Approval of Directors' fees of S$213,000 for the financial year ended 30 June 2016. (2015: S$213,000)		
3.	Re-election of Mr. Lau Kay Heng as a Director.		
4.	Re-appointment of Mr. Toh Hock Ghim as a Director.		
5.	Re-appointment of Mr. Kan Ah Chye as a Director.		
6.	Re-appointment of Messrs Mazars LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	Authority to allot and issue shares.		
8.	Authority to grant options and issue shares under the ECL Scheme 2010.		
9.	Authority to issue shares under ECL Performance Shares Scheme.		
10.	Renewal of Share Purchase Mandate.		

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 ______________ 2016

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

EQUATION SUMMIT LIMITED
Blk 1001 Jalan Bukit Merah
#06-11
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 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 13 October 2016.