Equation Summit Limited

READY FOR THE NEXT PHASE OF GROWTH

ANNUAL REPORT **2015**

On the Cover:

READY FOR THE NEXT PHASE OF GROWTH, this cover projects expansion and dynamism with graphical depiction of driving force behind the Company's vision of long-term growth and value.

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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.

Equation Summit Limited

- **TECHNOLOGY**
  - 100% Disa Digital Safety Pte. Ltd.
    - 100% Disa Digital Safety Limited (formerly known as Ternary Technologies Limited)
    - 100% Ternary Technologies (Shenzhen) Limited
    - 77.5% QuickCheck Technology Limited (incorporated during the year)
      - 100% 迅检码科技（深圳）有限公司 (incorporated during the year)
        - 90% 深圳迅检文化传播有限公司 (incorporated during the year)
    - 100% QuickCheck Group Limited (incorporated during the year)
    - 32.5% United Digital Technology Pte Limited (incorporated during the year)
    - 66.1% Disa Digital Safety GmbH
  - 50% Citrine Wireless Pte. Ltd.
  - 50% Citrine Solution Pte. Ltd. (incorporated during the year)
  - 50% Aquarius Tech Pte. Ltd.
- **E-WASTE/RECYCLING**
  - 60% Equation Recycling Pte. Ltd.
    - 49% Siam Pattana Equation Co., Ltd
- **ENERGY MANAGEMENT SERVICES**
  - 70% Equation Energy Pte. Ltd.
- **SUPPLY OF CONSTRUCTION MATERIALS**
  - 81.6% Equation Resources Pte. Ltd.
- **OTHERS**
  - 50% Safuan Resources Pte. Ltd.

CORPORATE PROFILE

EQUATION SUMMIT LIMITED

Equation Summit Limited ("Equation Group" or the "Group"), formerly known as Equation Corp Limited, is an investment holding company listed on the SGX Catalist (formerly known as SGX-Sesdaq) 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.

DiSa ... simply safe!

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 Anti-Theft System") and digital authentication ("QuickCheck") solutions.

DiSa Anti-Theft System

DiSa Anti-Theft System, the world's first anti-theft protection technology uses encrypted codes on consumer electronic products. DiSa Anti-Theft System allows the manufacturers and retailers of consumer electronic products to prevent theft by integrating DiSa Anti-Theft System 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 Anti-Theft System 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 is in the midst of arranging for a PoC (Proof of Concept) with Wal-Mart Store Inc. ("Wal-Mart"). 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 11,453 stores worldwide. It operates 4,516 stores in the United States, 647 Sam's Club stores and 6,290 Walmart International stores.

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.

DDSPL has signed a contract with China Tobacco Anhui Industrial Corporation on 9 March 2015 for the provision of QC Code to detect counterfeit cigarettes, a widespread problem in China. Counterfeiting is one of the fastest growing economic crimes of modern times. International Chamber of Commerce expects the value of counterfeit goods globally to exceed USD1.7 trillion by 2015.

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. It is both an accredited energy services company by the National Environmental Agency, Singapore as well as an accredited energy performance contractor by the Singapore Green Building Council.

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.

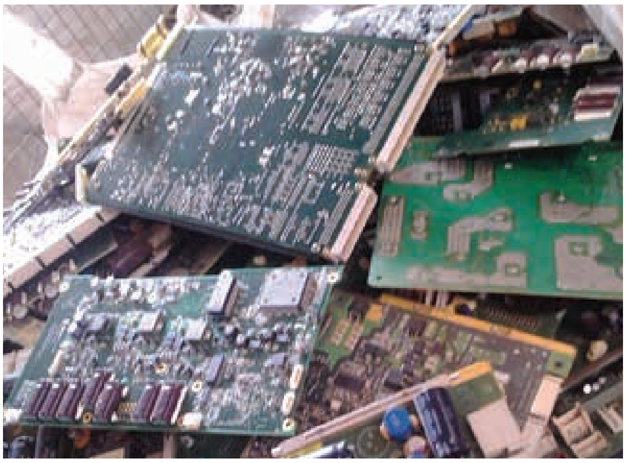
CORPORATE PROFILE

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 last financial year, 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 processes are ISO 9001, ISO 14001 and 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 and will continuously evaluate to ensure compliance to applicable legal requirements, industry standards and voluntary agreements.

RIGHT: **TOH HOCK GHIM** Chairman
LEFT: **CHNG WENG WAH** Chief Executive Officer

DEAR SHAREHOLDERS

The past year has been an uncertain one as far as economic conditions were concerned. Developed economies like the United States and Europe, while showing signs of recovery, did not expand strongly. China's property and stock market woes, Russia's financial meltdown with the fall in oil prices and Japan's faltering growth added to the weak economic conditions. Singapore's Gross Domestic Product was at a much lower 2.9% as compared to that achieved in previous years. Given the landscape before us, we continued with our efforts at realigning our strategic direction for sustainable growth. We pressed on with our focus on technology, rationalised non-performing assets and streamlined our business further. We invested resources in bringing our technologies to market, successfully launching one of our mobile applications in Singapore, as a test-bed for other markets. Given the financial resources needed as our innovations progressed to the completion and marketing stages, our revenue growth and bottom-line were, consequently, impacted.

FY2015 FINANCIAL HIGHLIGHTS

The Group's revenue from continuing operations decreased by 63.8% to $1.1 million for the financial year ended 30 June 2015 ("FY2015") as compared to $2.9 million for the financial year ended 30 June 2014 ("FY2014"). The lower revenue was attributed to decrease in sales of the Supply of Construction Materials, E-waste/Recycling and Technology segments. The decrease in sales in these business segments was partially mitigated by the increase in sales in the Energy Management Services segment.

With lower revenue, gross profit declined 79.2% from $2.2 million to $0.5 million. Gross profit margin, correspondingly, decreased year-on-year, from 75.6% in FY2014 to 43.3% in FY2015. The higher gross profit margin recorded in the previous corresponding period was due to a one-off cash income of $1.6 million received from the sand business. If not for this one-off cash income, gross profit margin in FY2014 should only have been 47.0%, narrowing considerably the decrease in gross profit margin. The marginal decrease in the adjusted gross profit margin was mainly contributed by the Energy Management Services segment due to higher cost of services and lower gross profit during the financial year under review.

Distribution and administrative expenses decreased by 46.0% and 1.2% respectively. Lower distribution expenses were due to lower staff costs resulting from an internal restructuring of the Group while the decreased administrative expenses were on account of lower staff costs including directors' remuneration, lower depreciation and amortisation and lower legal and professional fees, offset by foreign exchange movement and share option expense.

The Group recorded net loss from continuing operations of $5.3 million in FY2015 as compared to the net loss of $3.0 million in FY2014.

LETTER TO SHAREHOLDERS

The Group maintained cash and bank balances of $6.8 million as at 30 June 2015 (as at 30 June 2014: $8.2 million). Total liabilities decreased by $3.1 million from $20.4 million as at 30 June 2014 to $17.3 million as at 30 June 2015 due to decreases in financial liabilities, deferred tax liabilities and trade and other payables and provision of other liabilities and charges offset by increased accruals. Consequently, the Group's gearing ratio stood at 0.31 as compared to 0.29 in FY2014.

INTRODUCING DISRUPTIVE TECHNOLOGY, LEVERAGING ON CONSUMER TRENDS AND EXPANDING TO NEW MARKETS

Technology

The "Internet of Things" will impact how we live and work given the increasing availability and decreasing costs of broadband internet and proliferation of devices with sensors and internet connectivity. This coupled with the growth in Asia of smartphones and the adoption of technology, provides myriad possibilities on which to create new solutions and services that meet the needs and aspirations of a technologically savvy population. The Group has ramped up its efforts in the technological space, aggressively marketing its existing mobile applications and solutions while at the same time exploring future marketable solutions and applications for the security, tourism and entertainment industries. These sectors offer a 'blue ocean' of possibilities in the mid to long term future. The Group has taken significant strides in these sectors, concentrating on one or two markets with eventual expansion to others.

China continued to be a market of focus for the Group. China's receptiveness to mobile technological innovations, its increasingly sophisticated population and the market opportunity presented by its sheer size, makes it a natural selection for the roll-out of the Group's suite of applications and solutions.

In July 2015, the Group's joint venture company, Citrine Wireless Pte. Ltd. ("CWPL"), a technology solutions provider for mobile devices, inked a collaborative agreement with Zhujiang Film & Media Corporation Limited ("Zhujiang Film"), one of the largest film and media companies in China. The agreement was for the implementation of CWPL's, patent-pending, instant movie shopping solution, TapON in Zhujiang Film's cinemas. The solution will enable movie-goers who download the application to make on-the-spot purchases of products featured in the pre-movie advertisements or films via their smartphones or to save the product information for future reference. The solution has the potential to revolutionalise the advertising and marketing industry and change consumer behaviors as it capitalises on the culture of instant gratification and on-demand satisfaction. The application of TapON was successfully launched at the end of September 2015 in Zhujiang Film's Guangzhou cinemas. There are plans to further develop collaboratively a mobile infotainment application which will push location-based news to smartphones users in the vicinity.

CWPL also entered into an agreement with Chinese firms, 广东南方家庭购物有限公司 and 广东南方希杰商贸有限公司, to develop applications, WeChat service number technology as well as data collection and processing. The main areas of cooperation between the organisations centre on entertainment such as cinema-going, tourism attraction and community interaction and TV advertisement using the concept of "BYOD" (Bring Your Own Device). The collaboration with these Chinese firms, paves the way for the Group to make further inroads into the lucrative and vast Chinese entertainment industry and enable it to use the successful implementation of its technology as a calling card for other geographical markets and industry. The developed applications are targeted to be launched sometime in January 2016.

Closer to home, CWPL successfully trialed and subsequently implemented its revolutionary audio technology, iNarrator, in Singapore's iconic Gardens by the Bay. The solution delivers real-time, multi-lingual audio content directly to user's smartphones, allowing them to hear perfectly synchronised narration of the floral and plant exhibits. Flowing from this successful implementation, the Group is in discussion with Chimelong, China, one of the largest attractions in the country, to replicate the deployment of the technology.

The Group's wholly-owned subsidiary, Disa Digital Safety Pte. Ltd. ("DDSPL") also embarked on concerted marketing efforts of its proprietary game-changing technology, *QuickCheck*. The solution, which uses revolutionary digital authentication technology to detect counterfeit goods, has made some headway in the China market with the signing of an agreement with China Tobacco Anhui Industrial Corporation, a cigarette manufacturer in Hefei, China. The agreement is for the implementation of the solution to combat the multi-million dollar counterfeit tobacco market there. DDSPL is also looking to simultaneously market its solution to companies in the United States, having been invited to demonstrate the validity of concept by several leading retail players. The potential to be realised from the anti-counterfeit technology is immense given the magnitude of the global counterfeit market.[1]

The Group aims to replicate its successful collaborative efforts in other neighbouring growth markets with sizeable populations to enable quick user scalability of its services and to provide higher returns on investments.

1 According to the International Chamber of Commerce, the counterfeit market will exceed US$1.7 trillion by 2015. "Counterfeit Goods Becoming More Dangerous". Available: http://money.cnn.com/2012/09/27/news/economy/counterfeit-goods/

STREAMLINING BUSINESSES FOR BETTER EFFICIENCY

In conjunction with our concerted focus on technology facing services and solutions, we have taken steps to further rationalise weaker segments to better utilise our resources. Given our breakthroughs on the mobile applications front and the need to make continued investment in the commercialisation of our solutions as well as in the research and development of future applications and solutions, we took the difficult decision to liquidate certain subsidiaries with a resulting downsize in operations.

SUPPLY OF CONSTRUCTION MATERIAL

We had completely discontinued our sand business in FY2014 which stemmed Group losses from this division. While the Singapore private sector construction demand was notably muted during the year, it is estimated that construction demand in Singapore over the five-year period will hold up.[2] The Group will thus remain open to opportunities which might benefit this business segment at a future time especially in light of the anticipated turnaround of the sector when property cooling measures are eventually lifted once price stability in the market is achieved.

CONSUMER ELECTRONIC PRODUCTS

The Group dissolved and liquidated our 70%-owned Hong Kong incorporated subsidiary, Equation Technology Limited ("ETL") and ETL's wholly-owned German-incorporated subsidiary, M3 Electronics GmbH ("M3"). The companies were in the business of sale, distribution and marketing of consumer electronic products, constituting the Group's Consumer Electronic Products business segment. Despite best efforts to expand the sales network, the segment's sales had remained sluggish due to the weak consumer sentiment prevailing in Europe. With the continent's slow recovery from the Euro debt crisis, M3 had been in a loss-making position for the first three quarters of FY2015 and recorded a negative working capital position. Given the uncertain prognosis for eventual turnaround of the European markets, the decision to terminate further losses was taken, despite this business segment contributing significantly to Group revenue.

ENERGY MANAGEMENT SERVICES AND E-WASTE/ RECYCLING

The Energy Management Services segment registered higher revenue in FY2015 mainly on account of higher sales generated from consultancy services. The E-waste/Recycling segment, in contrast, recorded lower revenue due to lower customers' orders. With the ongoing efforts at environmental preservation, the relentless push towards the reduction of harmful emissions and pollutants and sustainable growth a priority for organisations, the demand for strategies and solutions that address these pressing issues will be sustained. We will continue to serve our existing customers in this segment, although the segment is not a focal point of the Group's growth strategy.

OUTLOOK FOR FY2016

The outlook for the global economy in the coming year is highly uncertain. Singapore's growth forecast has been narrowed by the Ministry of Trade and Industry to between 2 and 2.5% from the earlier forecasted 2 to 4% reflecting the wider global conditions. Of paramount concern is the easing of China's growth. The developed economies are expected to stage modest growth. Nevertheless, geo-political threats in the Middle East and the still depressed oil market all pose notable threats, among others, to the economic forecast. Despite this outlook, we are confident in our strategy premised on a strong focus on revolutionary technology that will unlock sizeable markets and enable the Group to achieve long term growth.

APPRECIATION TO ALL

On behalf of the Board, we would like to record our appreciation to the management and staff for putting in great effort and showing immense determination and fortitude during the 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 seeking out new opportunities in the technological space while at the same time expanding our market reach for our existing products and services. FY2016 might have its challenges, if economist and business analysts are to be believed, but we nevertheless remain confident of our ability to rise above the challenges and look forward to another year of exciting opportunities, innovations and inventions.

HG Toh

Toh Hock Ghim
Chairman

Chng Weng Wah
Chief Executive Officer

2 "The average construction demand is expected to be sustained between $27 billion to $36 billion in 2016 and 2017 and $26 billion to $37 billion in 2018 and 2019 per annum, in view of mega public sector infrastructure projects required to meet the long-term needs of our population and maintain the competitive advantage of Singapore's economy." BCA news release, "Public sector projects to sustain construction demand in 2015". Available: http://www.bca.gov.sg/Newsroom/pr08012015_BCA.html

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 October 2014

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. Mr. Toh has a Bachelor of Arts (Political Science) degree from the University of Singapore. He also sits on the Board of three other listed companies.

CHNG WENG WAH

Executive Director and Chief Executive Officer, Non-Independent
First appointed on 3 February 2005
Last re-elected on 30 October 2013

Mr. Chng joined Equation Summit Limited in February 2005 as the Group's Executive Director and Chief Executive Officer. Providing entrepreneurial leadership, Mr. Chng steers the Group's strategic direction, oversees the Group's growth and identifies new business opportunities. He is the main driver for the Group's fund raising activities, major acquisitions and disposals. Mr. Chng has a diverse background in the semiconductor and electronics industry for more than two decades and had received Asia Europe Young Entrepreneurs Award at the Berlin Asia Europe Young Entrepreneurs Forum in 1999.

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 October 2014

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.

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 Asia M&A Group, which is an alliance of member firms in the pan Asian region specialising in cross border M&A activities. 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 below:

Director	Directorships/Chairmanships in other listed companies (present & held over preceding 3 years)	
	Over preceding 3 years	Present
Toh Hock Ghim	As Non-Executive Chairman and Director in • *WE Holdings Limited* • *Kinergy Limited*	As an Independent Director in • *LifeBrandz Ltd* • *CIAM Group Limited* • *CEFC International Limited (formerly known as Sun East Group Limited)*
Chng Weng Wah	As Non-Executive Deputy Chairman and Non-Executive Director in • *WE Holdings Limited*	As Director and Chief Executive Officer in • *LifeBrandz Ltd*
Kan Ah Chye	–	As an Independent Director in • *Compact Metal Industries Ltd.*
Lau Kay Heng	–	As an Independent Director in • *Cacola Furniture International Limited* • *Premiere Eastern Energy Limited* • *iBosses Corporation Limited*

GROUP KEY EXECUTIVES

LOW CHUAN JEE

Chief Financial Officer

Ms. Low joined in April 2014 and 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. ("DDSPL")

Ms. Wong was appointed in August 2010. She is a Chartered Accountant of ISCA. She is also a fellow member of Association of Chartered Certified Accountants ("ACCA") 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.

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
(formerly SGX-SESDAQ)

REGISTERED OFFICE

50 Raffles Place
#25-03 Singapore Land Tower
Singapore 048623
Tel: +65 6230 9673
Fax: +65 6536 1360

COMPANY SECRETARY

Leong Chee Meng, Kenneth

AUDITORS

Ernst & Young LLP
Chartered Accountants
One Raffles Quay
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Singapore 048583
Tel: +65 6535 7777
Fax: +65 6532 7662
Partner-In-Charge: Alvin Phua Chun Yen
(Appointed since financial year ended 30 June 2014)

SHARE REGISTRAR

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50 Raffles Place
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Singapore 048623
Tel: +65 6536 5355
Fax: +65 6438 8710

PRINCIPAL LEGAL ADVISERS

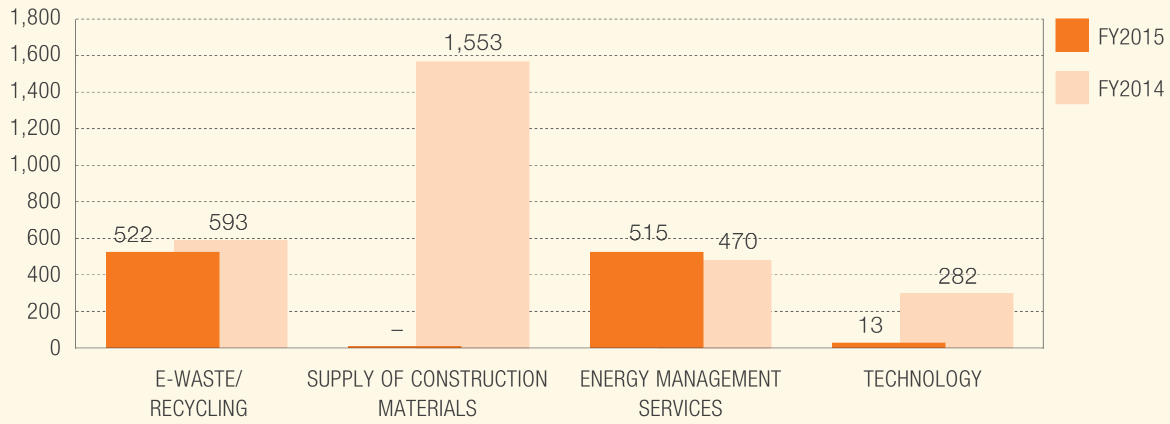
Bih Li & Lee LLP, Singapore
Colin Ng & Partners LLP, Singapore

PRINCIPAL BANKERS

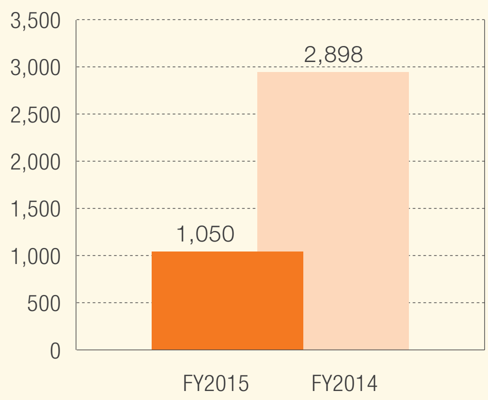
Standard Chartered Bank, Singapore
The Development Bank of Singapore
United Overseas Bank Limited, Singapore
Commerzbank Aktiengesellschaft, Frankfurt Germany
China Merchants Bank (Shenzhen), People's Republic of China
The Hongkong and Shanghai Banking Corporation Limited, Hong Kong

FINANCIAL HIGHLIGHTS

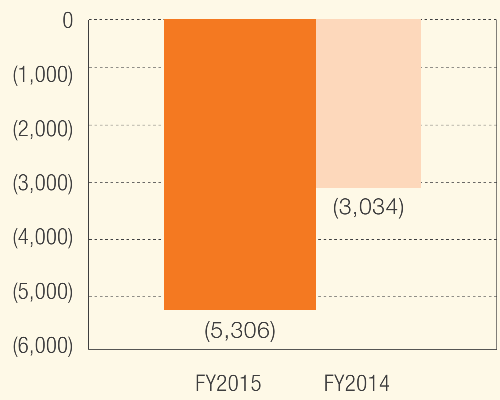
REVENUE – SEGMENT ($'000)



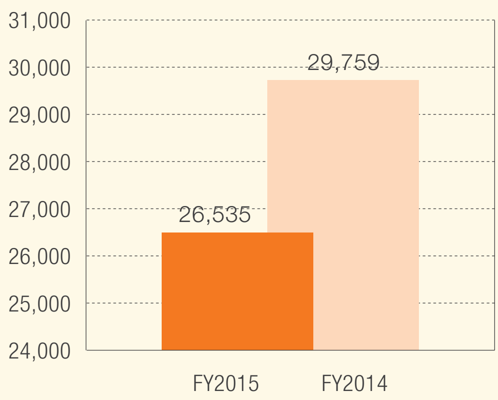
GROUP REVENUE ($'000)



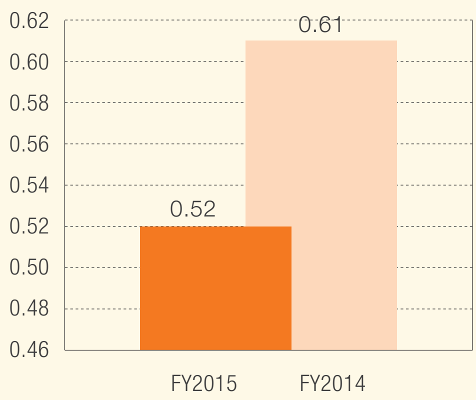
LOSS AFTER TAX ($'000)



NET ASSETS ($'000)



NET ASSETS VALUE PER SHARE (CENTS)



CONTINUING OPERATIONS
REVENUE

The Group's revenue decreased by $1.8 million (63.8%) from $2.9 million for the financial year ended 30 June 2014 ("**FY2014**") to $1.1 million for the financial year ended 30 June 2015 ("**FY2015**"). The decrease was attributable to decrease in sales in Supply of Construction Material segment, E-waste/Recycling segment and Technology segment; partially offset by the increase in sales from the Energy Management Services segment.

GROSS PROFIT

The Group recorded a gross profit of $0.5 million for the full year in FY2015 compared to $2.2 million in FY2014.

OTHER INCOME

Other income decreased by $1.8 million from $4.3 million in FY2014 to $2.5 million in FY2015, mainly due to one-off gain of $0.8 million on disposal of a subsidiary, productivity and innovative credit incentive of $0.2 million and gain on disposal of assets classified as held for sale of $0.1 million. These transactions took place in FY2014. The decrease in other income was also attributable to the decrease in fair value gain on derivative instrument of $0.7 million in FY2015.

EXPENSES

Distribution expenses decreased by $0.3 million from $0.6 million in FY2014 to $0.3 million in FY2015, mainly due to lower staff costs as a result of internal restructuring in the Group.

Administrative expenses decreased by $0.1 million from $7.4 million in FY2014 to $7.3 million in FY2015, mainly due to lower staff costs which included directors, remuneration of $0.3 million, lower depreciation and amortisation of $0.2 million and lower legal and professional fees of $0.3 million; partially offset by foreign exchange movement of $0.6 million and share option expense of $0.1 million.

Other expenses decreased by $0.5 million from $0.7 million in FY2014 to $0.2 million in FY2015, mainly due to one-off impairment loss of $0.3 million on deposits paid to secure potential investment and provision for doubtful trade receivables of $0.3 million in FY2014; partially offset by write-off of club membership of $0.1 million in FY2015.

Share of results of joint ventures represents the Group's share of results in Citrine Wireless 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 $5.3 million was recorded in FY2015 as compared to a net loss of $3.0 million in FY2014.

DISCONTINUED OPERATIONS

On 30 June 2015, the Company announced the decision of its board of directors to dissolve and liquidate its 70% owned Hong Kong-incorporated subsidiary, Equation Technology Limited ("**ETL**") and ETL's wholly-owned German-incorporated subsidiary, M3 Electronics GmbH ("**M3**"). Both ETL and M3 are categorised under the Consumer Electronic Products segment. The Group will derecognise the assets and liabilities of both ETL and M3 from the consolidated statement of financial position, and the results from both ETL and M3 are presented separately on the statement of comprehensive income under "Discontinued operations". The results from Consumer Electronic Products segment are represented below:

	FY2015 $'000	**FY2014 $'000**
Discontinued operations		
Revenue	6,052	11,499
Cost of sales	(4,480)	(8,290)
Gross profit	1,572	3,209
Other income	156	277
Distribution expenses	(1,953)	(2,972)
Administrative expenses	(467)	(96)
Other expenses	(1,644)	(99)
Finance costs	(281)	(387)
Gain on liquidation of subsidiaries	1,190	–
Loss from discontinued operations	(1,427)	(68)
Income tax expense	–	–
Loss from discontinued operations, net of tax	(1,427)	(68)

The revenue decreased by $5.4 million (47.4%) from $11.5 million in FY2014 to $6.1 million in FY2015. This was mainly due to weak consumer sentiment in Europe and depreciation of Euro against Singapore dollar during the financial year.

Gross profit decreased by $1.6 million from $3.2 million in FY2014 to $1.6 million in FY2015.

Distribution expenses decreased by $1.0 million from $3.0 million in FY2014 to $2.0 million in FY2015. This was mainly due to reclassification of provision for warranty expenses to other expenses and lower sales in Consumer Electronic Products segment during the financial year.

Other expenses increased by $1.5 million from $0.1 million in FY2014 to $1.6 million in FY2015. This was mainly due to write-down on inventories of $0.9 million, reclassification of provision for warranty expenses of $0.3 million and write-off of trade and other receivables of $0.3 million in FY2015.

Taking into account the loss from discontinued operations, the Group recorded a net loss of $6.7 million in FY2015 compared to a net loss of $3.1 million in FY2014.

FINANCIAL POSITION

The Group's total assets decreased by $6.4 million from $50.2 million as at 30 June 2014 to $43.8 million as at 30 June 2015, mainly due to the following:

(i) Intangible assets pertaining to the core technology and development costs of Disa Anti-Theft system decreased by $1.4 million, mainly due to amortisation charge for the financial year.

(ii) Inventories decreased by $1.0 million, mainly due to write-down of inventories in the Consumer Electronic Products segment due to liquidation of subsidiary as at 30 June 2015.

(iii) Total trade and other receivables decreased by $1.5 million, mainly due to derecognisation of the trade and other receivables of both ETL and M3 of $0.9 million and collection of debts from customers during the financial year.

(iv) Decrease in cash and cash equivalents of $1.4 million, which will be explained under "Cash Flows" section.

Total liabilities of the Group decreased by $3.1 million from $20.4 million as at 30 June 2014 to $17.3 million as at 30 June 2015, and were mainly due to the following:

(i) Total financial liabilities decreased by $0.5 million, mainly due to repayment of loan to a third party of $0.5 million during the financial year.

(ii) Deferred tax liabilities decreased by $0.5 million, mainly due to reversal of prior year deferred tax liabilities of $0.3 million and amortisation charge of $0.2 million for the financial year.

(iii) Trade and other payables decreased by $1.9 million, mainly due to derecognisation of the trade and other payables of both ETL and M3 of $1.7 million and repayment of advance from a director of $0.2 million.

(iv) Provision for other liabilities and charges decreased by $0.3 million, mainly due to derecognisation of the provision for warranties of M3.

The Group recorded a net asset of $26.5 million as at 30 June 2015 as compared to a net asset of $29.8 million as at 30 June 2014.

CASH FLOWS

Cash and cash equivalents (net of overdraft and deposits placed with a bank as security) decreased by $1.4 million from $8.2 million as at 30 June 2014 to $6.8 million as at 30 June 2015.

Net cash used in operating activities was $2.2 million in FY2015, compared to inflow of $0.2 million for FY2014.

Net cash used in investing activities was $0.4 million for FY2015. This was mainly due to investment in joint ventures, investment in an associate and net cash outflow on liquidation of subsidiaries, and was partially offset by interest received and proceeds from a disposal of a joint venture.

Net cash generated from financing activities was $1.2 million for FY2015. This was mainly due to net proceeds from issuance of ordinary shares and prepaid capital contributions received from undertaking shareholders. This was offset by interest paid, repayment of loan to a third party and bank borrowings.

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 2015 ("FY2015"), with specific references made to the principles and guidelines of the Code of Corporate Governance 2012 ("Code"). The Board confirms that for FY2015, 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) oversee the adequacy and integrity of the Group's internal controls, risk management, financial reporting and compliance; (4) approve major investment and divestment proposals, material acquisitions and disposals of assets; (5) assume responsibilities for good corporate governance practices; and (6) approve the release of the financial results and annual report of the Group to shareholders.
1.2 Board to objectively take decisions in the interests of the company	The Board is 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 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.

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 a Board Meeting to enable each Board member to be adequately prepared. The Company's Articles of Association (the "Articles") 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	4	4	4	1	1	1	1
Chng Weng Wah	4	4	NA	NA	NA	NA	NA	NA
Lau Kay Heng*	4	3	4	3	1	1	1	1
Kan Ah Chye*	4	4	4	4	1	1	1	1

** Independent Director*

1.5 The type of material transactions that require Board approval under internal guidelines	Matters which are specifically reserved for decision by the full 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 investments and funding decisions; • financial performance and key operational initiative; and • overseeing the implementation of appropriate systems to manage the Group's business risk.

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 are to receive training in areas such as accounting, legal and industry specific knowledge. From time to time, the Company Secretary and the Company's auditors will advise the existing Directors or if necessary, conduct briefings to the Directors on the new accounting standards and corporate governance practices as well as update them on any changes in the Companies Act and Listing Manual Section B: Rules of Catalist of the SGX-ST ("Rules of Catalist"). Directors also have the opportunities to visit the Group's operation facilities in order to have a better understanding of its business operations. The Directors are fully aware of the requirements in respect of their duties and obligations as a director and how to discharge those duties and obligations. The Company has available budget for Directors to receive further relevant training in connection with their duties. Relevant courses include programmes conducted by the Singapore Institute of Directors or other training institutions.

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 (or 75%) 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.

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. 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's management and further no individual or small group of individuals dominate the Board's decision making process. Furthermore, there are no independent directors who has served on the Board for more than nine years from the date of his first appointment.
2.5 Appropriate size of Board	The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive to effective discussion and decision-making and that the Board has an appropriate balance of independent directors. The Board is of the view that the current Board size and composition is appropriate, taking into account the scope and nature of the Group's operations.
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 Executive Director(s) to review any matter that may be raised privately.

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

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

Guidelines of the Code	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 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.

Guidelines of the Code	Equation's Corporate Governance practices
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 the Code. Notwithstanding, should the need arise, the independent directors (including the Chairman) will meet without the presence of the executive director.

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 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. Kan Ah Chye – Mr. Lau Kay Heng The Chairman of the NC is not associated with any of the substantial shareholders of the Company. The responsibilities of the NC are described in its written terms of reference. The NC's principal responsibilities include the following: (1) make recommendations to the Board on all Board appointments; (2) propose to re-nominate existing Directors, having regard to the Directors' contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director; (3) assess annually whether or not a Director is independent; (4) assess whether or not a Director is able to and has been adequately carrying out his duties as a Director; (5) propose an objective performance criteria to evaluate the Board's performance, subject to the approval of the Board; and (6) 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.

Guidelines of the Code	Equation's Corporate Governance practices
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 Articles, 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. Chng Weng Wah, 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, who is over the age of 70 years, has been recommended by the NC for re-appointment at the forthcoming AGM. In addition, Mr. Kan Ah Chye, who is over the age of 70 years, has also 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 FY2015 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.
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.

Guidelines of the Code	Equation's Corporate Governance practices
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 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 FY2015. 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.
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 and NC Chairman. 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; and (2) overseeing the administration of the Equation Share Option Scheme and Equation Performance Shares Scheme (refer to Principle 8.2 for further details of both schemes) or any other similar share plans as may be implemented by the Company from time to time and decide on the allocations and grants of such options or shares to eligible participants.
7.2 RC to recommend a framework of remuneration for each director and key management personnel; Recommendations should be submitted for endorsement by the entire Board; RC to review remuneration of key management personnel	The Company sets remuneration packages to ensure it is competitive and sufficient to attract, retain and motivate Directors and key management personnel of the required experience and expertise to run the Group successfully. The RC recommends for Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees (where applicable), salaries, allowances, bonuses, share options, and benefits in kind and specific remuneration packages for each director and key executive. No director is involved in deciding his own remuneration.
7.3 RC should seek expert advice, if necessary. The names and firms of the remuneration consultants and a statement on whether the remuneration consultants have any such relationships with the company should be disclosed	Where necessary, the RC shall seek expert advice inside and/or outside the Company on remuneration of all directors. There were no remuneration consultants engaged for FY2015.

Guidelines of the Code	Equation's Corporate Governance practices
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.
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 an executives' share option scheme known as the Equation Share Option Scheme ("ECL ESOS") which serves as a long-term incentive scheme for the directors and employees of the Company. A revised 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. Directors who are also 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.

Guidelines of the Code	Equation's Corporate Governance practices
	The ESOS 2010 replaced the ECL ESOS ("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. As at 30 June 2015, there were an aggregate of 10,550,000 outstanding share options granted under ESOS 1999 and ESOS 2010. The Company has also a performance shares scheme known as Equation 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. Directors who are also 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 FY2015. The ESOS 1999 and ESOS 2010 are administered by a committee comprising Mr. Lau Kay Heng (Chairman), Mr. Chng Weng Wah, Mr. Toh Hock Ghim and Mr. Kan Ah Chye. 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.
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 S$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 FY2015 are as follows:

	Remuneration Band	Salary & Fees	Performance Related Income/ Bonuses	Other Benefits	Total Remuneration
	S$	%	%	%	%
Executive Director					
Chng Weng Wah	Between 250,000 and 500,000	99	–	1	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

	Top 5 Key Management Personnel For FY2015, the Group has 5 key management personnel. The remuneration of the top 5 key management personnel (who are not Directors or the CEO of the Company) of the Group are set out below in bands of $250,000. The aggregate remuneration of the top 5 key management personnel for FY2015 is $923,000. 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.

Guidelines of the Code	Equation's Corporate Governance practices
	Remuneration Bands S$ — No. of Executives Below 250,000 — 5 No termination, retirement and post-employment benefits is granted to our Directors, CEO and the top 5 key management personnel of the Group during FY2015.
9.4 Disclose remuneration details of employees who are immediate family members of a director or the CEO, and whose remuneration exceed S$50,000 during the year	Mr. Chng Weng Huat, is the brother of our CEO, Mr. Chng Weng Wah. Mr. Chng Weng Huat is employed by the Company as a Technical Director, and received remuneration in that capacity. A breakdown showing the percentage mix of Mr. Chng Weng Huat's remuneration paid/payable for FY2015 are as follows: Remuneration Band S$: Between 150,000 to 200,000; Salary %: 95; Bonuses %: 5; Other Benefits %: –; Total Remuneration %: 100
9.5 Details of employee share scheme	Details of the Equation Share Option Scheme and Equation Performance Shares Scheme are set out in the Directors' Report on pages 36 to 40 of the Annual Report.
9.6 Companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance	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.

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.

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

Guidelines of the Code	Equation's Corporate Governance practices
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.
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 express 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;

Guidelines of the Code	Equation's Corporate Governance practices
	(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 FY2015, 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.
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 and non-audit services amounted to $164,000 and $6,000 respectively. 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 Ernst & Young LLP as the Company's external auditor for the next financial year ending 30 June 2016. 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.

Guidelines of the Code	Equation's Corporate Governance practices
12.7 AC to review arrangements for staff to raise concerns about possible improprieties to AC. The existence of a whistle-blowing policy should be disclosed in the company's annual report	The Group has in place, a whistle-blowing policy where employees of the Group and the public can raise, in confidence, concerns about possible improprieties. Such a policy serves to encourage and provide a channel for staff to report in good faith and without fear of reprisals, concerns about possible improprieties in financial reporting or other matters to any member of the 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 FY2015, 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 FY2015, 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.
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 April 2015.
13.5 AC to review adequacy and effectiveness of internal audit function, at least annually	The IA plan 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 Articles of Association 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.

Guidelines of the Code	Equation's Corporate Governance practices
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	Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Articles of Association of the Company allow each shareholder to appoint up to two proxies to attend AGMs. Subject to legislative amendment to the Companies Act of the relevant provision regarding appointment of proxies, the Company will consider amending its Articles of Association to allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

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 advertised in a newspaper in Singapore.
15.3 and 15.4 The Board should establish and maintain regular dialogue with shareholders, to gather views or inputs and address shareholders' concerns. The Board should state in the annual report, steps it has taken to solicit and understand the views of the shareholders	Shareholders are encouraged to attend and raise questions to the directors at the Company's general meetings. At these meetings, shareholders are given the opportunity to voice their views and raise issues either formally or informally. These meetings provide excellent opportunities for the Board to engage with shareholders to solicit their feedback. The Company's website at www.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 FY2015 as the Company has incurred a loss in FY2015. 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 Articles 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.

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 during FY2015 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 33 of the financial statements.

USE OF PROCEEDS

A report on the use of proceeds from Rights Issue on 17 February 2014 ("Rights Issue") and Private Placement on 13 March 2015 ("Private Placement") 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:

	Rights Issue $'000	Private Placement $'000
Net proceeds raised	6,656	1,400
Less: Utilisations		
– Investments	(480)	–
– Working capital expenditures	(4,873)	–
Balance as at 30 June 2015	1,303	1,400

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 FY2015.

DIRECTORS' REPORT

The directors present their report to the members together with the audited consolidated financial statements of Equation Summit Limited (the "Company", formerly known as Equation Corp Limited or "ECL") and its subsidiaries (collectively, the "Group") and the statement of financial position of the Company for the financial year ended 30 June 2015.

DIRECTORS

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

Toh Hock Ghim
Chng Weng Wah
Lau Kay Heng
Kan Ah Chye

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of director and corporation in which interests are held	At the beginning of financial year	At the end of financial year
Chng Weng Wah		
Equation Summit Limited		
Ordinary shares		
– interest held	512,224,132	512,224,132
– deemed interests	463,050,000	463,050,000
Equation Recycling Pte. Ltd.		
Ordinary shares		
– deemed interests	3,000	3,000
Equation Resources Pte. Ltd.		
Ordinary shares		
– deemed interests	11,659,336	11,659,336
Equation Energy Pte. Ltd.		
Ordinary shares		
– deemed interests	700,000	700,000
Held by Disa Digital Safety Pte. Ltd.		
Disa Digital Safety GmbH		
Ordinary shares of EUR€1 each		
– deemed interests	453,920	436,260

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Mr. Chng Weng Wah is deemed to have interests in all other subsidiaries of Equation Summit Limited, all of which are wholly-owned, at the beginning of the financial year or at the end of the financial year.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

There were no changes in any of the above mentioned interests of the directors in the Company between the end of the financial year and 21 July 2015.

Except as disclosed under the "Share Options" and "Performance Shares" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, 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.

Except as disclosed in the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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 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.

The ECL ESOS is administered by the ECL ESOS Committee. The members of the committee at the end of the financial year and at the date of this report are:

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

SHARE OPTIONS (CONTINUED)

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

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 executives, directors and employees of the Company and its subsidiaries.

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 of options	Exercise price per share	Options outstanding at 1 July 2014	Options granted	Options outstanding at 30 June 2015	Number of option holders at 30 June 2015	Exercise period
ESOS 1999						
17/4/2006	0.033[(a)]	550,000	–	550,000	2	17/4/2008 to 16/4/2016
ESOS 2010						
8/1/2015	0.006	–	10,000,000	10,000,000	3	8/1/2016 to 7/1/2025
		550,000	10,000,000	10,550,000		

(a) As required under Rule 849 of the SGX-ST Listing Manual: Section B, Rules of Catalist ("Rule 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 by the Company (Note 22).

At the end of the financial year, the options granted to Directors are as follows:

Name of Director	Exercise price	Exercise period	Options granted during financial year under review (including terms)	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Toh Hock Ghim	0.006	2016 to 2025	5,000,000	5,000,000	–	5,000,000
Lau Kay Heng	0.006	2016 to 2025	2,500,000	2,500,000	–	2,500,000
Kan Ah Chye	0.006	2016 to 2025	2,500,000	2,500,000	–	2,500,000
Chng Weng Wah	–	–	–	–	–	–

SHARE OPTIONS (CONTINUED)

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

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.

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.

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. 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.

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 report are:

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

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.

At the end of 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 2015, outstanding options issued under the ECL ESOS represent 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.

SHARE OPTIONS (CONTINUED)

Performance Shares (Continued)

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

- 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.

AUDIT COMMITTEE

The members of the Audit Committee at the end of financial year and at the date of this report are:

Lau Kay Heng	Chairman, Non-Executive Director
Toh Hock Ghim	Non-Executive Director
Kan Ah Chye	Non-Executive Director

The Audit Committee performs the functions specified in Section 201B of the Act, the Rules of Catalist and the Code of Corporate Governance.

The Audit Committee has held 4 meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviews the following:

(a) assistance provided by the Company's officers to the internal and external auditors;

(b) quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

(c) interested person transactions (as defined in Chapter 9 of Rules of Catalist).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

In appointing the auditors for the Company, subsidiaries and significant associated companies, the Company has complied with Rules 712 and 716 of the SGX Catalist Listing Manual.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors,

Chng Weng Wah
Director

Lau Kay Heng
Director

3 November 2015

We, Chng Weng Wah and Lau Kay Heng, being two of the directors of Equation Summit Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying statements of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2015 and of the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company 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. The financial statements of the Group have been prepared on a going concern basis as we are of the view that the Group will be able to secure new contracts in the US market where the Technology segment's anti-theft system is roll-out, and with the progression of the Technology segment in the US market, the Group expects to receive continuing support from the convertible loan lenders by way of not requesting for full repayment of the loan and interest within the next financial year.

On behalf of the Board of Directors,

Chng Weng Wah
Director

Lau Kay Heng
Director

3 November 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EQUATION SUMMIT LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Equation Summit Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 44 to 124, which comprise the statements of financial position of the Group and the Company as at 30 June 2015, and the consolidated statement of changes in equity, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

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 a 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 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 auditor's judgment, 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 auditor considers 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 consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the 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 2015 and of 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 $5,306,000 and had utilised $2,256,000 to fund its operations during the financial year ended 30 June 2015, and the Group is expected to repay the convertible loan from the lenders within next twelve months after the end of the reporting period. This factor indicates the existence of a material uncertainty 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 ability of the Group to continue as going concerns is dependent on the Group's ability to secure new contracts with potential customers and continuing support from the lenders.

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 REGULATORY REQUIREMENTS

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

Ernst & Young LLP
Public Accountants and Chartered Accountants

Singapore

3 November 2015

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Note	2015 $'000	2014 $'000 (Restated)
Continuing operations			
Revenue	5	1,050	2,898
Cost of sales		(595)	(706)
Gross profit		455	2,192
Other income		2,537	4,308
Distribution expenses		(333)	(617)
Administrative expenses		(7,269)	(7,357)
Other expenses		(239)	(739)
Loss from continuing operating activities		(4,849)	(2,213)
Finance costs	6	(588)	(591)
Share of results of associates		(1)	–
Share of results of joint ventures		(372)	(32)
Loss before income tax from continuing operations	7	(5,810)	(2,836)
Income tax credit/(expense)	8	504	(198)
Loss from continuing operations, net of tax		(5,306)	(3,034)
Discontinued operations			
Loss from discontinued operations, net of tax	13	(1,427)	(68)
Loss for the year		(6,733)	(3,102)
Attributable to:			
Owners of the Company			
Loss from continuing operations, net of tax		(5,407)	(2,930)
Loss from discontinued operations, net of tax		(1,100)	(150)
		(6,507)	(3,080)
Non-controlling interests			
Profit/(Loss) from continuing operations, net of tax		101	(104)
(Loss)/Profit from discontinued operations, net of tax		(327)	82
		(226)	(22)
		(6,733)	(3,102)
Earnings per share (cents)			
From continuing operations attributable to equity owners of the Company – basic and diluted	9	(0.11)	(0.07)
From discontinued operations attributable to equity owners of the Company – basic and diluted	9	(0.02)	–

The accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015 $'000	2014 $'000 (Restated)
Loss for the year	(6,733)	(3,102)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences from foreign subsidiaries	589	(73)
Realisation of foreign currency translation differences on liquidation/disposal of subsidiaries	(197)	165
Other comprehensive income for the year	392	92
Total comprehensive income for the year	(6,341)	(3,010)
Attributable to:		
Owners of the Company		
Loss from continuing operations, net of tax	(4,863)	(2,969)
Loss from discontinued operations, net of tax	(1,394)	(12)
	(6,257)	(2,981)
Non-controlling interests		
Profit/(Loss) from continuing operations, net of tax	146	(104)
(Loss)/Profit from discontinued operations, net of tax	(230)	75
	(84)	(29)
	(6,341)	(3,010)

The accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Non-current assets					
Financial assets, available-for-sale	10	2,222	2,222	2,222	2,222
Property, plant and equipment	11	237	439	143	222
Intangible assets	12	14,747	16,173	–	–
Subsidiaries	13	–	–	18,097	23,671
Associates	14	26	13	–	13
Joint ventures	15	57	219	280	251
Trade receivables	16	633	1,150	222	–
Other non-current assets	17	11,346	11,664	13,109	15,923
		29,268	31,880	34,073	42,302
Current assets					
Inventories	18	86	1,020	–	–
Trade and other receivables	16	6,154	7,016	136	132
Other current assets	19	1,452	1,984	310	421
Cash and bank balances	20	6,858	8,265	5,702	6,861
		14,550	18,285	6,148	7,414
Total assets		43,818	50,165	40,221	49,716
Equity attributable to owners of the Company					
Share capital	21	154,474	153,074	154,474	153,074
Reserves		1,870	688	1,112	180
Accumulated losses		(121,654)	(115,147)	(117,206)	(107,211)
		34,690	38,615	38,380	46,043
Non-controlling interests		(8,155)	(8,856)	–	–
Total equity		26,535	29,759	38,380	46,043
Non-current liabilities					
Other payables	23	–	–	–	332
Accruals	24	–	758	–	–
Financial liabilities	25	726	8,037	117	184
Derivative instrument	26	21	50	–	–
Deferred tax liabilities	27	2,506	3,008	–	–
		3,253	11,853	117	516
Current liabilities					
Trade and other payables	23	3,536	5,407	1,185	2,684
Accruals	24	3,036	2,148	460	395
Financial liabilities	25	7,446	695	67	64
Current tax payable		–	2	–	2
Provisions for other liabilities and charges	28	12	301	12	12
		14,030	8,553	1,724	3,157
Total liabilities		17,283	20,406	1,841	3,673
Total equity and liabilities		43,818	50,165	40,221	49,716

The accounting policies and explanatory notes form an integral part of the financial statements.

	Share capital (Note 21) $'000	Foreign currency translation reserve $'000	Share option reserve $'000	Capital reserve $'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 income								
Loss for the year	–	–	–	–	(6,507)	(6,507)	(226)	(6,733)
Other comprehensive income								
Foreign currency translation differences from foreign subsidiaries	–	544	–	–	–	544	45	589
Realisation of foreign currency translation differences from liquidation of foreign subsidiaries	–	(294)	–	–	–	(294)	97	(197)
Total comprehensive income for the 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 (d)(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 accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Share capital (Note 21) $'000	Foreign currency translation reserve $'000	Share option reserve $'000	Capital reserve $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 1 July 2013	146,418	53	135	300	(111,966)	34,940	(8,827)	26,113
Total comprehensive income								
Loss for the year	–	–	–	–	(3,080)	(3,080)	(22)	(3,102)
Other comprehensive income								
Foreign currency translation differences from foreign subsidiaries	–	(66)	–	–	–	(66)	(7)	(73)
Realisation of foreign currency translation differences from disposal of foreign subsidiaries	–	165	–	–	–	165	–	165
Total comprehensive income for the year	–	99	–	–	(3,080)	(2,981)	(29)	(3,010)
Transactions with owners, recorded directly in equity								
Contribution by and distributions to owners								
Issue of shares:								
Rights issue	6,656	–	–	–	–	6,656	–	6,656
	6,656	–	–	–	–	6,656	–	6,656
Others								
Disposal of subsidiaries	–	–	–	595	(595)	–	–	–
Expiry of employee share options	–	–	(114)	–	114	–	–	–
Transfer from foreign currency translation reserve to accumulated losses (Note (a))	–	(380)	–	–	380	–	–	–
	–	(380)	(114)	595	(101)	–	–	–
Balance as at 30 June 2014	153,074	(228)	21	895	(115,147)	38,615	(8,856)	29,759

The accounting policies and explanatory notes form an integral part of the financial statements

(a) The transfer pertains to the foreign currency translation reserve relating to the subsidiaries disposed in prior years.

(b) 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; and

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

(d) 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 undertakings given by two shareholders to subscribe for their entitlements of the warrants issue announced on 26 May 2015 (Note 37).

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015 $'000	2014 $'000 (Restated)
Cash flows from operating activities		
Loss before income tax from continuing operations	(5,810)	(2,836)
Loss before income tax from discontinued operations	(1,427)	(68)
	(7,237)	(2,904)
Adjustments for:		
Interest expense	869	978
Interest income	(153)	(192)
Amortisation of intangible assets	1,426	1,536
Depreciation of property, plant and equipment	156	238
Employee share-based payments expense	54	–
Fair value gain on derivative instrument	(29)	(711)
Gain on disposal of a joint venture	(25)	–
Gain on disposal of subsidiaries	–	(826)
Gain on disposal of assets classified as held for sale	–	(65)
Gain on disposal of property, plant and equipment	(17)	(36)
Gain on liquidation of subsidiaries	(1,190)	–
Impairment loss on an associate	13	–
Impairment loss on trade and other receivables	–	261
Impairment loss on club membership	–	3
Impairment loss on other current assets	–	350
Provision for warranty expense	293	327
Share of results of associates	1	–
Share of results of joint ventures	372	32
Utilisation of prepayment for rights on use of plant and machinery	116	116
Write-down on inventories	919	8
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	–
Operating loss before working capital changes	(4,010)	(885)
Changes in working capital:		
Inventories	(540)	1,646
Trade and other receivables	973	286
Other current assets	323	180
Trade and other payables	859	(546)
Provision for other liabilities and charges	(389)	(461)
Exchange differences arising from consolidation	528	(88)
Cash (used in)/from operations	(2,256)	132
Income tax refund	–	13
Net cash (used in)/from operating activities	(2,256)	145

The accounting policies and explanatory notes form an integral part of the financial statements.

	2015 $'000	2014 $'000 (Restated)
Cash flows from investing activities		
Interest received	153	190
Purchase of property, plant and equipment (Note 11)	(4)	(82)
Investment in an associate	(27)	–
Investments in joint ventures	(229)	(251)
Proceeds from disposal of assets classified as held for sale	–	883
Proceeds from disposal of a joint venture	200	–
Proceeds from disposal of property, plant and equipment	17	67
Net cash outflows on liquidation of subsidiaries, net of cash liquidated (Note 13)(c))	(526)	–
Net cash outflows of disposal of subsidiaries, net of cash disposed (Note 13(d))	–	–*
Net cash (used in)/from investing activities	(416)	807
Cash flows from financing activities		
Interest paid	(353)	(451)
Net proceeds from issuance of ordinary shares	1,400	6,656
Prepaid capital contributions received from undertaking shareholders	878	–
Repayment of finance lease	(72)	(36)
Repayment of loan to a third party	(457)	(1,304)
Repayment of borrowings	(168)	(780)
Net cash from financing activities	1,228	4,085
Net (decrease)/increase in cash and cash equivalents	(1,444)	5,037
Cash and cash equivalents at beginning of the year	8,204	3,142
Net effects of exchange rate changes on cash and cash equivalents	37	25
Cash and cash equivalents at end of the year (Note 20)	6,797	8,204

* The net cash outflow on cash disposed was less than one hundred dollar.

The accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

Equation Summit Limited (the "Company") is incorporated in the Republic of Singapore and has its principal place of business at 1001, Jalan Bukit Merah, #06-11, Singapore 159455. The address of its registered office is at 50 Raffles Place, #25-03, 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 13 to the financial statements.

With effect from 18 November 2014, the name of the Company was changed from Equation Corp Limited to Equation Summit Limited.

2. FUNDAMENTAL ACCOUNTING CONCEPT

Going concern assumption

The Group incurred a net loss from continuing operations of $5,306,000 and had utilised $2,256,000 to fund its operations during the financial year ended 30 June 2015, and the Group is expected to repay the convertible loan from the lenders within next twelve months after the end of the reporting period. This factor indicates the existence of a material uncertainty 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 US market where the Technology segment's anti-theft system is roll-out, and with the progression of the Technology segment in the US market, the Group expects to receive continuing support from the convertible loan lenders by way of not requesting for full repayment of the loan and interest within the next financial year.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "$") which is the Company's functional currency and all values are rounded to the nearest thousand ("$'000") except when otherwise indicated.

3.2 Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations to FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2014 or 1 July 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 1: *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 16: *Property, Plant and Equipment* & FRS 41: *Agriculture*	1 January 2016
Amendments to FRS 27: *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 111: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to FRS 110 & FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Improvements to FRS (November 2014)	
– Amendments to FRS 105 Non-current: *Assets Held for Sale and Discontinued Operations*	1 January 2016
– Amendments to FRS 107: *Financial Instruments*	1 January 2016
– Amendments to FRS 19: *Employee Benefits*	1 January 2016
– Amendments to FRS 34: *Interim Financial Reporting*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018

Except for FRS 115 and FRS 109, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 and FRS 109 are described below.

<u>FRS 115 Revenue from Contracts with Customers</u>

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Standards issued but not yet effective (Continued)

FRS 109 Financial Instruments

In December 2014, the ASC issued the final version of FRS 109 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is required, but comparative information is not compulsory in the year of adoption. The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

3.4 Basis of consolidation

(a) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Basis of consolidation (Continued)

(b) *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries are aligned where necessary to the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(c) *Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(d) *Joint arrangements*

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

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

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

Joint operations

The Group recognises in relation to its interest in a joint operation,

(i) its assets, including its share of any assets held jointly;

(ii) its liabilities, including its share of any liabilities incurred jointly;

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

3.4 **Basis of consolidation** (Continued)

(d) Joint arrangements *(Continued)*

Joint operations (Continued)

(iii) its revenue from the sale of its share of the output arising from the joint operation;

(iv) its share of the revenue from the sale of the output by the joint operation; and

(v) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in a joint venture is set out in 3.4(e).

(e) Joint ventures and associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or a joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's 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 investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Basis of consolidation (Continued)

(e) Joint ventures and associates *(Continued)*

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates and joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

(f) Acquisition of non-controlling interest

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore the carrying amounts of assets and liabilities are not changed and goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the adjustment to non-controlling interests and the fair value of consideration paid is recognised directly in equity and presented as part of equity attributable to owners of the Company.

(g) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates/joint ventures are eliminated against the investment to the extent of the Group's interest in the associate/joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(h) Accounting for subsidiaries, joint ventures and associates by the Company

Investments in subsidiaries, joint ventures and associates are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.5 Foreign currency

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical costs are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Foreign currency (Continued)

(b) Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at average exchange rate for the year. Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at closing rates. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve ("translation reserve") in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.6 Property, plant and equipment

(a) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised in profit or loss.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment (Continued)

(c) *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each component of an item of property, plant and equipment.

The estimated useful lives are as follows:

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

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

3.7 Intangible assets

(a) *Intangible assets*

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.

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.

(ii) Development costs

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

(b) *Subsequent expenditure*

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Intangible assets (Continued)

(c) Amortisation

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.

3.8 Financial instruments

(a) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, other current and non-current assets, cash and bank balances, financial liabilities, accruals and trade and other payables.

Loans and receivables comprise cash and bank balances, trade and other receivables and other current assets.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset.

Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire, discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and bank balances comprise cash balances and bank deposits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (Continued)

(a) *Non-derivative financial instruments (Continued)*

Available-for-sale financial assets

The Group's investment in redeemable preference shares whose fair value cannot be reliably measured are measured at cost less impairment losses.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(b) *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.

(c) *Impairment of financial assets*

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its recoverable amount.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

Impairment losses in respect of financial assets measured at amortised cost and available-for-sale debt securities are reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised.

Impairment losses once recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in fair value of such assets is recognised directly in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (Continued)

(d) *Intra-group financial guarantees*

Financial guarantees are financial instruments issued by the Group that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to profit or loss.

(e) *Share capital*

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.9 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(a) *When entities within the Group are lessees of a finance lease*

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

At inception, an arrangement that contains a lease is accounted for as such based on the terms and conditions even though the arrangement is not in the legal form of a lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Leases (Continued)

(b) When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

3.10 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than properties held for sale and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its Cash-Generating Unit ("CGU") exceeds its estimated recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 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.

3.13 Employee benefits

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which related services are rendered by employees.

(b) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(c) Share-based compensation

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Employee benefits (Continued)

(c) Share-based compensation (Continued)

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.

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.

3.14 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

3.15 Revenue recognition

(a) Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue recognition (Continued)

(b) Service income

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured.

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.

(c) Rental income

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

3.16 Finance costs

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions. All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

3.17 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Income tax (Continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.18 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.

3.19 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.

3.20 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 revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Contingent liabilities

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 Company; 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.

Contingent liabilities are not recognised on the statement of financial position of the Company, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

4.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, 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:

(a) 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 12.

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 12.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

4.1 Key sources of estimation uncertainty (Continued)

(b) Impairment of other non-current assets

The Group assesses at each reporting date whether there is an indication that the prepayment for rights, interest 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.

As disclosed in Note 17, 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 proceedings. The directors of the Company have taken the view that such a material adverse outcome is very unlikely, and accordingly, no impairment has been made in the financial statements. Further details of the carrying amount of the prepayment at the end of the reporting period are disclosed in Note 17 to the financial statements.

(c) 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.

As disclosed in Notes 16 and 17, the Group expects to recover $2,434,000 (2014: $2,434,000) through the enforcement of proceedings of the arbitral award. In addition, the Group is in the midst of legal proceedings to recover $2,371,000 (2014: $2,371,000) from another receivable. Legal proceedings covering a range of matters are pending against the Group in various jurisdictions. 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 Notes 16 and 17 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

4.2 Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, the management did not make any judgements that have effect on the amounts recognised in the financial statements.

5. REVENUE

	Group	
	2015	**2014**
	$'000	**$'000**
		(Restated)
Revenue from goods sold	535	2,428
Revenue from services rendered	515	470
	1,050	2,898

6. FINANCE COSTS

	Group	
	2015	**2014**
	$'000	**$'000**
		(Restated)
Interest expense on:		
– bank borrowings	35	51
– convertible loan	505	471
– finance lease liabilities	10	14
– others	38	55
	588	591

7. LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS

Loss before income tax from continuing operations is arrived at after charging/(crediting):

	Group	
	2015 $'000	2014 $'000 (Restated)
Audit fees paid/payable to:		
– auditors of the Company	164	160
– other auditors	–	8
Non-audit fees paid/payable to auditors of the Company	6	6
Staff costs	2,029	2,386
Contributions to defined contribution plans, included in staff costs	157	195
Directors' remuneration	282	469
Directors' fees		
– current year provision	213	213
– under-provision for prior year	–	11
Interest expense	588	591
Interest income	(136)	(164)
Amortisation of intangible assets	1,426	1,536
Depreciation of property, plant and equipment	144	209
Employee share-based payments expense	54	–
Fair value gain on derivative instrument	(29)	(711)
Gain on disposal of a joint venture	(25)	–
Gain on disposal of subsidiaries	–	(826)
Gain on disposal of assets classified as held for sale	–	(65)
Gain on disposal of property, plant and equipment	(17)	(36)
Impairment loss on an associate	13	–
Impairment loss on trade and other receivables	–	261
Impairment loss on club membership	–	3
Impairment loss on other current assets	–	350
Legal and other professional fees	402	652
Operating leases expense	1,677	1,576
Research and development expense	146	337
Utilisation of prepayment for rights on use of plant and machinery	116	116
Write-down on inventories	–	8
Write-off of club membership	35	–
Write-off of property, plant and equipment	27	–
Foreign exchange loss/(gain) (net)	492	(110)

8. INCOME TAX (CREDIT)/EXPENSE

Major components of income tax (credit)/expense

The major components of income tax (credit)/expense for the financial year ended 30 June are as follows:

	Group	
	2015	2014
	$'000	$'000
Income statement:		
Continuing Operations		
Current income tax		
Over provision in respect of previous years	(2)	(15)
Deferred income tax		
Reversal and origination of temporary differences	(502)	213
	(504)	198

Relationship between income tax (credit)/expense and accounting loss

A reconciliation between income tax (credit)/expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial year ended 30 June are as follows:

	Group	
	2015	2014
	$'000	$'000
Loss before income tax from continuing operations	(5,810)	(2,836)
Loss before income tax from discontinued operations	(1,427)	(68)
	(7,237)	(2,904)
Tax benefits calculated using Singapore tax rate of 17% (2014: 17%)	(1,230)	(494)
Adjustments:		
Effect of different tax rates in other countries	(13)	(30)
Expenses not deductible for tax purposes	972	542
Income not subject to tax	(342)	(348)
Deferred tax assets not recognised	231	772
Utilisation of deferred tax assets not previously recognised	(108)	(229)
Others	(12)	–
Over provision in respect of previous years	(2)	(15)
	(504)	198

8. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

During the financial year, in relation to the Singapore group relief system, the Group utilised tax losses of $265,000 (2014: $206,000) to set off the assessable income of certain companies within the Group. The Group has unutilised tax losses and unabsorbed capital allowances of approximately $44,788,000 (2014: $65,151,000) and $13,928,000 (2014: $14,362,000) 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.

9. 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	
	2015	**2014**
	$'000	**$'000**
Basic and diluted earnings per share is based on:		
Net loss attributable to ordinary shareholders	(6,507)	(3,080)
Add back: Loss from discontinued operations, net of tax, attributable to owners of the Company	1,100	150
Loss from continuing operations, net of tax, attributable to owners of the Company	(5,407)	(2,930)

	No. of Shares	
	'000	**'000**
Issued ordinary shares as at 1 July	4,318,239	3,930,984
Effect of ordinary shares issued	670,559	387,255
Weighted average number of ordinary shares as at 30 June	4,988,798	4,318,239

9. EARNINGS PER SHARE (CONTINUED)

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 2015, the option of conversion into shares of the Company under the convertible loans agreement (Note 25 (c)) has not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current financial year presented.

10. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	Group and Company	
	2015	**2014**
	$'000	**$'000**
Unquoted equity securities	120	120
Impairment losses	(120)	(120)
	–	–
Redeemable preference shares	2,222	2,222
	2,222	2,222

Analysis of impairment losses in unquoted equity securities is as follows:

Balance as at 1 July/30 June	120	120

Unquoted equity securities

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

Redeemable preference shares

The unquoted equity securities comprise the Company's investment in redeemable preference shares of an investee whose principal activity is property development. The Company intends to hold the investment for long-term. The Company states unquoted debt 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.

11. 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 2013	6,143	834	606	542	8,125
Translation differences on consolidation	–	–	19	–	19
Additions	42	6	34	236	318
Disposals	(209)	(26)	(54)	(104)	(393)
Balance as at 30 June 2014 and 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	5,959	787	189	649	7,584
Accumulated depreciation					
Balance as at 1 July 2013	6,106	677	485	466	7,734
Translation differences on consolidation	–	–	20	–	20
Depreciation for the year	8	74	53	103	238
Disposals	(182)	(26)	(50)	(104)	(362)
Balance as at 30 June 2014 and 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	5,923	759	158	507	7,347
Net carrying amount					
Balance as at 30 June 2014	44	89	97	209	439
Balance as at 30 June 2015	36	28	31	142	237

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Furniture and fittings $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
Cost				
Balance as at 1 July 2013	553	90	271	914
Additions	6	2	211	219
Disposals	–	(4)	–	(4)
Balance as at 30 June 2014 and 1 July 2014	559	88	482	1,129
Additions	–	1	–	1
Balance as at 30 June 2015	559	89	482	1,130
Accumulated depreciation				
Balance as at 1 July 2013	488	67	221	776
Depreciation for the year	34	8	92	134
Disposals	–	(3)	–	(3)
Balance as at 30 June 2014 and 1 July 2014	522	72	313	907
Depreciation for the year	31	7	42	80
Balance as at 30 June 2015	553	79	355	987
Net carrying amount				
Balance as at 30 June 2014	37	16	169	222
Balance as at 30 June 2015	6	10	127	143

Assets held under finance lease

The Group acquired property, plant and equipment with an aggregate fair value of $Nil (2014: $236,000) by means of finance lease.

The carrying amount of the motor vehicles held under finance lease of the Group as at 30 June 2015 amounted to $127,000 (2014: $188,000).

Assets held in trust

A motor vehicle with carrying amount of $127,000 (2014: $211,000) is held in trust by a director of the Company.

Note to the consolidated statement of cash flows

	Group	
	2015 $'000	2014 $'000
Purchase of property, plant and equipment:		
Aggregate cost of property, plant and equipment acquired	4	318
Adjustments:		
Finance leases (Note 25)	–	(236)
Cash payments to acquire property, plant and equipment	4	82

12. INTANGIBLE ASSETS

Group	Core technology $'000	Development costs $'000	Total $'000
Cost			
Balance as at 30 June 2014, 1 July 2014 and 30 June 2015	31,624	609	32,233
Accumulated amortisation and impairment losses			
Balance as at 1 July 2013	14,067	457	14,524
Amortisation for the year	1,404	132	1,536
Balance as at 30 June 2014 and 1 July 2014	15,471	589	16,060
Amortisation for the year	1,406	20	1,426
Balance as at 30 June 2015	16,877	609	17,486
Net carrying amount			
Balance as at 30 June 2014	16,153	20	16,173
Balance as at 30 June 2015	14,747	–	14,747

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

Impairment testing of core technology and development costs

The intangible assets are in respect of development cost and core technology (including anti-theft and anti-counterfeiting solutions), which have collectively been determined as a CGU (under the Technology segment). A shortfall in actual revenue generated by these assets versus projected revenue triggered an assessment for impairment by management on these assets. The recoverable amounts of anti-theft technology and anti-counterfeiting technology were based on value in use of the CGU, which is the net present value of expected future cash flows over a period of 11 years from the financial year ending 30 June 2016 ("FY2016") to the financial year ending 30 June 2026 ("FY2026") and a period of 5 years from the financial year ending 30 June 2016 ("FY2016") to the financial year ending 30 June 2020 ("FY2020") respectively. The key assumptions for the computation of value in use include the following:

Anti-theft technology

Revenue

Revenue projections comprise sale of encrypted codes to product manufacturers. It also takes into account of the European (excluding Germany), German 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.

Potential customers account for 25%, 25% and 23% of the German, European (excluding Germany) and US markets respectively in FY2017.

European (excluding Germany) and German market penetration is assumed to be 4% in FY2017 and progressively increase to 9% by financial year 2026. US market penetration into the potential customers is assumed to be 1% in FY2017 and progressively increase to 2% by financial year 2026.

12. INTANGIBLE ASSETS (CONTINUED)

Anti-theft technology (Continued)

***Revenue** (Continued)*

European (excluding Germany) product growth rate is forecast at 4% per annum in financial year 2017 and expected to progressively reduce to 2% in FY2023. German product growth rate is forecast at 2% per annum in FY2017 and assumed to remain stable thereafter. US product growth rate is forecast at 5% per annum in FY2017 and progressively reduces to 3% in FY2020. European (excluding Germany), German 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 1% of total revenue.

Corporate tax

Management assumes a tax rate of 17% from FY2016 to FY2026.

Inflation rate

Management has projected an inflation rate of 2% for FY2016 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.

Anti-counterfeiting technology

Revenue

Revenue projections comprise sale of encrypted codes to China tobacco manufacturers. It also takes into account of the China tobacco market size, market penetration and product growth in China tobacco market. The commencement of revenue generation is expected in FY2017.

Potential customers account for 8% of the China tobacco market in FY2017.

Penetration into the China tobacco market is assumed to be 1% in FY2017 and progressively increase to 5% by financial year 2020.

12. INTANGIBLE ASSETS (CONTINUED)

Anti-counterfeiting technology (Continued)

Costs

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

Research and development cost is projected based on 3% of total revenue.

Corporate tax

Management assumes a tax rate of 25% from FY2016 to FY2020.

Inflation rate

Management has projected an inflation rate of 2% for FY2016 to FY2020.

Discount rate

Applied discount rate is at 38% taking into account the additional risks inherent in an intangible asset and in China market.

Based on the above assessment, the carrying amount of the CGU was determined to be lower (2014: lower) than its recoverable amount and no impairment loss (2014: Nil) was recognised in the financial year.

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 anti-theft technology, management recognises that a decrease in potential customers' share of the German, European (excluding Germany) and US markets is expected to have an adverse impact on revenue assumptions. A reduction of 5% (2014: 5%) in each market would result in a further impairment of $1,800,000 (2014: $1,900,000).

For anti-counterfeiting technology, management recognises that a decrease in potential customers' share of China tobacco market is expected to have an adverse impact on revenue assumptions. A reduction of 1% in the market would result in a further impairment of $1,500,000.

13. SUBSIDIARIES

	Company 2015 $'000	Company 2014 $'000
Equity investments at cost	36,428	43,224
Impairment losses	(18,331)	(19,553)
	18,097	23,671

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 give rise to products and/or services 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 (2014: $17,800,000) 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 12.

Through the Company's review of the carrying amounts of its investments in subsidiaries, a shortfall in actual revenue generated by these subsidiaries versus projected revenue was noted. As such, 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 8% to 38% (2014: 8% to 30%). 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 $3,734,000 (2014: $1,150,000) was recognised in the financial year.

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

	Company 2015 $'000	Company 2014 $'000
Balance as at 1 July	19,553	23,657
Charge to profit or loss	3,734	1,150
Struck off/disposal	(4,956)	(5,254)
Balance as at 30 June	18,331	19,553

13. SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective equity holding 2015 %	Effective equity holding 2014 %
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
Richsand Pte. Ltd.	Struck-off	Singapore	–	100
Equation Resources Pte. Ltd. [a]	Supply and trading of construction materials	Singapore	81.6	81.6
Equation Recycling Pte. Ltd. [a]	Recycling and trading of scrap metals and electronic waste products	Singapore	60	60
Equation Energy Pte. Ltd. [a]	Provide energy audit and management, marketing of environmental-friendly systems	Singapore	70	70
Equation Technology Limited [c][f]	Investment holding	Hong Kong	–	70
Held by Equation Technology Limited				
M3 Electronic GmbH [b][f]	Sales, distribution and marketing of consumer electronic products	Germany	–	70
Jointly held by M3 Electronic GmbH and Disa Digital Safety Pte. Ltd.				
Disa Digital Safety GmbH [e]	Sales, distribution, marketing and development of digital security systems, general commercial and technical consultancy	Germany	66.1	68
Held by Disa Digital Safety Pte. Ltd.				
Hokuriku (M) Sdn Bhd [g]	Liquidated	Malaysia	–	100
Disa Digital Safety Limited *(Formerly known as Ternary Technologies Limited)* [d]	Trading of electronic consumer parts	British Virgin Island	100	100

13. SUBSIDIARIES (CONTINUED)

Name of company	Principal activities	Country of incorporation and place of business	Effective equity holding 2015 %	2014 %
Ternary Technologies (Shenzhen) Limited [d]	Trading of electronic products, research and development and market promotion	China	100	100
QuickCheck Technology Limited [e]	Investment holding	Samoa	77.5	–
QuickCheck Group Limited [e]	Investment holding	Cayman Islands	100	–
Held by QuickCheck Technology Limited				
迅检码科技(深圳)有限公司 [e]	Marketing and distribution of anti-counterfeiting solution	China	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 [e]	Advertising and provision of anti-counterfeiting solution	China	69.8	–

(a) Audited by Ernst & Young LLP, Singapore.

(b) Audited for group reporting purpose by member firms of Ernst & Young Global in Germany.

(c) The company is audited by Chik, Lee & Co, Hong Kong.

(d) The company is audited by CWCC, Hong Kong.

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

(f) The company is currently undergoing liquidation.

(g) The liquidation was completed during this financial year ended 30 June 2015.

(a) Striking-off of a subsidiary

On 25 May 2015, a wholly-owned subsidiary of the Company, Richsand Pte. Ltd. was struck-off the register of Companies with effect from 12 May 2015 under the section 34(2) of the Companies Act.

(b) Incorporation of subsidiaries

(i) On 31 July 2014, a wholly-owned subsidiary of the Company, Disa Digital Safety Pte. Ltd. ("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).

13. SUBSIDIARIES (CONTINUED)

(b) Incorporation of subsidiaries (Continued)

(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).

(c) 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. A liquidator was appointed for M3 subsequent to the financial year end.

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)

13. SUBSIDIARIES (CONTINUED)

(c) 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 and 2014 are presented separately on the income statement as "loss from discontinued operations, net of tax".

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

	2015 $'000	2014 $'000
Revenue	6,052	11,499
Cost of sales	(4,480)	(8,290)
Gross profit	1,572	3,209
Other income	156	277
Distribution expenses	(1,953)	(2,972)
Administrative expenses	(467)	(96)
Other expenses	(1,644)	(99)
Finance costs	(281)	(387)
Gain on liquidation of subsidiaries	1,190	–
Loss from discontinued operations	(1,427)	(68)
Income tax expense	–	–
Loss from discontinued operations, net of tax	(1,427)	(68)

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

	Group	
	2015 $'000	2014 $'000
Audit fees paid/payable to:		
– auditors of the Company	36	25
– other auditors	2	1
Staff costs	1,028	1,157
Contributions to defined contribution plans, included in staff costs	142	164
Interest expense	281	387
Interest income	(17)	(28)
Depreciation of property, plant and equipment	12	29
Gain on liquidation of subsidiaries	(1,190)	–
Legal and other professional fees	22	23
Operating leases expense	36	43
Provision for warranty	293	327
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	(8)

13. SUBSIDIARIES (CONTINUED)

(c) 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)	2014 $'000 Generated from/(used in)
Operating cash flows	(390)	661
Investing cash flows	17	(9)
Financing cash flows	(8)	27

(d) Disposal of subsidiaries

On 6 September 2013, the Company announced the disposal of its wholly-owned subsidiary, Hinterland Property Development Pte. Ltd. ("HPD"), at a consideration of $1 in cash. The effect of disposal of HPD is set out below:

	2014 $'000
Property, plant and equipment	1
Cash at bank*	–
Other receivables	29
Trade and other payables	(751)
Provisions for other liabilities and charges	(270)
Net identifiable liabilities	(991)
Realisation of foreign currency translation differences	165
Gain on disposal	(826)

* The net cash outflow on cash disposed was less than one hundred dollar.

HPD has a direct wholly-owned subsidiary, Heighten Land Pte. Ltd., which directly owns a 100% interest in Beijing-Haiteng Real Estate Development Business Co. Ltd (collectively, the "HPD Group"). Following the disposal, the HPD Group ceased to be subsidiaries of the Company.

13. SUBSIDIARIES (CONTINUED)

(e) 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	Profit/(Loss) allocated to NCI $'000	Accumulated NCI $'000	Dividends paid to NCI $'000
30 June 2015					
Equation Resources Pte. Ltd.	Singapore	18.4%	(166)	(7,135)	–
30 June 2014					
Equation Resources Pte. Ltd.	Singapore	18.4%	175	(6,969)	–

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

Summarised statement of financial position

	2015 $'000	2014 $'000
Current		
Assets	3,500	3,505
Liabilities	(45,248)	(44,025)
Net current liabilities	(41,748)	(40,520)
Non-current		
Assets	11,016	11,147
Liabilities	(609)	(1,065)
Net non-current assets	10,407	10,082
Net liabilities	(31,341)	(30,438)

Summarised income statement

	2015 $'000	2014 $'000
Revenue	–	1,553
(Loss)/profit for the year	(903)	951
Total comprehensive income for the year	(903)	951

Other summarised information

	2015 $'000	2014 $'000
Net cash flows (used in)/from operating activities	(720)	641

14. ASSOCIATES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Equity investments at cost	40	13	13	13
Share of post-acquisition reserve	(1)	–	–	–
Impairment losses	(13)	–	(13)	–
	26	13	–	13

Details of the associates are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective equity holding 2015 %	Effective equity holding 2014 %
Siam Pattana Equation Co., Ltd. [(a)]	Dormant	Thailand	29.4	29.4
Safuan Resources Pte. Ltd. [(b)]	In the process of striking off	Singapore	–	50
United Digital Technology Pte. Limited [(c)]	Dormant	Hong Kong	32.5	–

(a) Audited by Bestchoy Consulting, Thailand.

(b) Audited by Ecovis Assurance LLP.

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

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 March 2013, the Company established Safuan Resources Pte. Ltd. ("SR"), which was incorporated in Singapore and is in the process of striking off as at 30 June 2015. The Company's contribution to set up the investment was $13,000 and resulted in the Company obtaining a 50% equity interest in SR. The Company has no decision making authority in SR.

14. ASSOCIATES (CONTINUED)

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).

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

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Balance as at 1 July	–	–	–	–
Charge to profit or loss	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.

	2015	2014
	$'000	$'000
Assets and liabilities:		
Non-current assets	1	1
Current assets	198	183
Total assets	199	184
Current liabilities	375	424
Total liabilities	375	424
Results:		
Revenue	–	–
Loss for the year	(2)	–

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

	2015	2014
	$'000	$'000
Revenue	–	–
Loss for the year	(2)	–
Total comprehensive income	(2)	–

15. JOINT VENTURES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Equity investments at cost	280	251	280	251
Share of post-acquisition reserve	(223)	(32)	–	–
	57	219	280	251

Details of the joint ventures are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective equity holding 2015 %	Effective equity holding 2014 %
Aquarius Tech Pte. Ltd. [(a)]	Research and development of software and hardware, wireless technology and electronic products	Singapore	50	50
Citrine Solution Pte. Ltd. [(a)]	Research and development of software and hardware	Singapore	50	–
Citrine Wireless Pte. Ltd. [(a)]	Research and development of software and hardware, wireless technology and electronic products	Singapore	50	50
Tengah GreenTech Pte. Ltd.	Service provider and distributor of oil dialysis machines	Singapore	–	40

(a) Audited by Ernst & Young LLP, Singapore.

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.

15. JOINT VENTURES (CONTINUED)

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.

Disposal of investment in a joint venture, Tengah GreenTech Pte. Ltd. ("TGT")

On 13 October 2014, the Company disposed of its 40% investment in TGT to an existing shareholder of TGT for a cash consideration of $200,000. Following the disposal of equity interest, TGT ceased to be a joint venture of the Company.

Increase in investment in a joint venture, Citrine Wireless Pte. Ltd. ("CWPL")

On 16 October 2014, the Company increased its investment in CWPL from $50,000 to $165,000. Following the increase in investment, CWPL 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	
	2015 $'000	2014 $'000
Assets and liabilities:		
Non-current assets	16	146
Current assets	292	346
Total assets	308	492
Current liabilities	507	64
Total liabilities	507	64
Results:		
Revenue	20	2
Expenses	(777)	(66)
Loss for the year	(757)	(64)

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

	Group	
	2015 $'000	2014 $'000
Revenue	20	2
Loss for the year	(757)	(66)
Total comprehensive income for the year	(757)	(64)

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade receivables	6,277	7,753	–	–
Impairment losses	(820)	(807)	–	–
	5,457	6,946	–	–
Other receivables	1,766	1,647	506	280
Impairment losses	(436)	(427)	(148)	(148)
	1,330	1,220	358	132
Total trade and other receivables (net)	6,787	8,166	358	132
Non-current	633	1,150	222	–
Current	6,154	7,016	136	132
	6,787	8,166	358	132

The Group's primary exposure to credit risk arises through its trade receivables. As at 30 June 2015, four (2014: four) significant customers of the Group accounted for 93% (2014: 73%) of the Group's total outstanding trade receivables.

The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, the management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

The maximum exposure to credit risk for trade receivables at the reporting date (by business segment) is as follows:

	Group	
	2015	2014
	$'000	$'000
Business segment		
Technology	2,371	2,371
Supply of construction materials	1,802	1,794
Energy management services	1,272	1,856
E-waste/Recycling	12	25
Consumer electronic products	–	900
Net trade receivables	5,457	6,946

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Impairment losses

The ageing of trade receivables at the reporting date is:

	2015		2014	
	Gross $'000	Impairment losses $'000	Gross $'000	Impairment losses $'000
Group				
Not past due	1,145	–	2,628	–
Past due 1 – 30 days	106	–	86	–
Past due 31 – 60 days	29	–	6	–
Past due 61 – 90 days	–	–	2	–
More than 90 days	4,997	(820)	5,031	(807)
	6,277	(820)	7,753	(807)

The change in impairment losses in respect of trade receivables is as follows:

	Group	
	2015 $'000	2014 $'000
Balance as at 1 July	807	898
Charge to profit or loss	–	254
Write off against allowance	(4)	(346)
Exchange differences	17	1
Balance as at 30 June	820	807

The Group monitors its recoverable periodically for collectability. The Group evaluates whether there is any objective evidence that the trade and other receivables are impaired and determines the amount of impairment loss as a result of the inability of the customers to make required payments. The Group has ongoing legal proceedings for 72% (2014: 56%) of total outstanding trade and other receivables. The Group expects to recover $2,434,000 (2014: $2,434,000) through the enforcement of proceedings of the arbitral award as disclosed in Note 17. In addition, the Group is in the midst of legal proceedings to recover $2,371,000 (2014: $2,371,000) from another receivable. 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 change in impairment losses in respect of non-trade receivables is as follows:

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance as at 1 July	427	622	148	142
Charge to profit or loss	–	7	–	6
Write off against allowance	–	(77)	–	–
Exchange differences	9	1	–	–
Reclassification	–	(126)	–	–
Balance as at 30 June	436	427	148	148

Trade receivables subject to offsetting arrangements

The Group does not have any trade receivable and trade payable that are subject to offsetting arrangements at the statement of financial position date.

17. 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	Others $'000	Total $'000
Cost						
Balance as at 1 July 2013	12,685	815	171	–	240	13,911
Translation differences on consolidation	–	–	–	18	–	18
Additions	–	–	–	765	–	765
Write-off	–	–	–	–	(240)	(240)
Balance as at 30 June 2014 and 1 July 2014	12,685	815	171	783	–	14,454
Translation differences on consolidation	–	–	(1)	–	–	(1)
Balance as at 30 June 2015	12,685	815	170	783	–	14,453
Utilisation or reclassification						
Balance as at 1 July 2013	1,748	504	12	–	240	2,504
Translation differences on consolidation	–	–	–	(3)	–	(3)
Reclassification to other receivables	–	–	–	410	–	410
Utilisation during the year	–	116	–	–	–	116
Impairment loss	–	–	3	–	–	3
Write-off	–	–	–	–	(240)	(240)
Balance as at 30 June 2014 and 1 July 2014	1,748	620	15	407	–	2,790
Liquidation of subsidiaries	–	–	–	118	–	118
Utilisation during the year	–	116	–	–	–	116
Reclassification to other receivables	–	–	–	48	–	48
Write-off	–	–	35	–	–	35
Balance as at 30 June 2015	1,748	736	50	573	–	3,107
Net carrying amount						
Balance as at 30 June 2014	10,937	195	156	376	–	11,664
Balance as at 30 June 2015	10,937	79	120	210	–	11,346

17. OTHER NON-CURRENT ASSETS (CONTINUED)

(a) Prepayment for rights, interest in and ownership of granite as at 30 June 2015 and 2014 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.

(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.

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. ERPL is presently at the stage of enforcement of proceedings of the arbitral award against KDH in Indonesia.

(c) The Group and Company have loans amounting to $765,000 and $210,000 respectively which were provided to third parties. These loans to third parties bear interest at 6.00% (2014: ranging from 4.91% to 6.00%) per annum, are unsecured and repayable after more than 12 months. These loans are to be settled in cash.

17. OTHER NON-CURRENT ASSETS (CONTINUED)

	Company	
	2015	**2014**
	$'000	**$'000**
Amounts due from subsidiaries	47,738	69,965
Impairment losses	(34,839)	(54,287)
	12,899	15,678
Club membership	15	50
Impairment losses	(15)	(15)
	–	35
Loan to a third party	210	210
	13,109	15,923

The Group monitors its recoverable periodically for collectability. The Group 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 of 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 give rise to products and/or services 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.

Through the Company's review of the carrying amounts of its receivables from subsidiaries, a shortfall in actual revenue generated by these subsidiaries versus projected revenue was noted. As such, 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 8% to 38% (2014: 8% to 30%). 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 $616,000 (2014: $1,911,000) 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 $44,478,000 (2014: $46,704,000) which are unsecured and have no fixed term of repayment. The weighted average effective interest rate per annum is 0.83% (2014: 0.73%). The remaining balance of $3,260,000 (2014: $23,261,000) is interest free, unsecured and has no fixed term of repayment. These amounts are expected to be settled in cash.

17. OTHER NON-CURRENT ASSETS (CONTINUED)

Impairment losses

The change in impairment losses in respect of amount due from subsidiaries is as follows:

	Company	
	2015	2014
	$'000	$'000
Balance as at 1 July	54,287	53,870
Charge to profit or loss	616	1,911
Disposal	–	(1,494)
Liquidated/struck off	(20,064)	–
Balance as at 30 June	34,839	54,287

18. INVENTORIES

	Group	
	2015	2014
	$'000	$'000
Statement of financial position:		
Finished goods (at cost or net realisable value)	86	1,020
Income statement:		
Inventories recognised as an expense in cost of sales	3,455	8,620
Write-down in inventories	919	8

19. OTHER CURRENT ASSETS

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Deposits for trade purchases	418	568	350	500
Refundable deposits	453	445	170	176
Prepayments	265	226	125	83
Prepaid tax to a foreign tax authority	–	306	–	–
Amount due from minority shareholder in subsidiary	43	43	–	–
Other recoverables	1,468	1,384	–	10
Loan to a third party	–	193	–	–
Interest receivable	15	2	15	2
Deposit paid to secure potential investment	1,000	1,000	1,000	1,000
	3,662	4,167	1,660	1,771
Impairment losses	(2,210)	(2,183)	(1,350)	(1,350)
	1,452	1,984	310	421

19. OTHER CURRENT ASSETS (CONTINUED)

Refundable deposits consist mainly of deposits placed to secure materials and 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 recoverables consist mainly of secured payment in relation to sand business in the supply of construction materials segment.

Impairment losses

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

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Deposits for trade purchases	350	350	350	350
Amount due from minority shareholder in subsidiary	43	43	–	–
Other recoverables	817	790	–	–
Deposit paid to secure potential investment	1,000	1,000	1,000	1,000
Balance as at 30 June	2,210	2,183	1,350	1,350

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

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Balance as at 1 July	2,183	1,833	1,350	1,000
Charge to profit or loss	–	350	–	350
Exchange differences	27	–	–	–
Balance as at 30 June	2,210	2,183	1,350	1,350

20. CASH AND BANK BALANCES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Cash at banks and on hand	6,797	8,204	5,641	6,800
Short-term bank deposits	61	61	61	61
	6,858	8,265	5,702	6,861

Short-term bank deposits at the reporting date have an average maturity of 6 months (2014: 6 months) from the end of the financial year with the following weighted average effective interest rates per annum:

	Group		Company	
	2015	2014	2015	2014
	%	%	%	%
Singapore dollar	0.10	0.10	0.10	0.10

The exposure of cash and bank balances to foreign currency risks is disclosed in Note 33.

For the purpose of the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	Group	
	2015	2014
	$'000	$'000
Cash and bank balances	6,858	8,265
Deposits placed with banks as security	(61)	(61)
Cash and cash equivalents as presented in consolidated statement of cash flows	6,797	8,204

Included in the deposits placed with banks as security amounting to $61,000 (2014: $61,000) was security charges pledged with banks for facilities.

21. SHARE CAPITAL

	Group and Company			
	2015		2014	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid:				
Balance as at 1 July	4,913,730	153,074	3,930,984	146,418
Share issue pursuant to:				
Ordinary shares				
– Private placement	200,000	1,400	–	–
– Rights issue	–	–	982,746	6,656
Balance as at 30 June	5,113,730	154,474	4,913,730	153,074

21. SHARE CAPITAL (CONTINUED)

During the financial year ended 30 June 2015:

(a) 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.

During the previous financial year ended 30 June 2014:

(b) On 17 February 2014, the Company announced a renounceable, partially underwritten rights issue ("Rights Issue") of up to 1,168,888,259 new ordinary shares in the capital of the Company ("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 held by entitled shareholders. The Rights Issue was completed in April 2014 and was oversubscribed by 106%. A total of 982,745,929 Rights Shares was quoted and listed on 24 April 2014.

As a result of the Rights Issue, the Company has raised additional funding amounting to $6,656,000 of the net proceeds.

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 the ordinary shares are entitled to receive dividends as and when declared by the Company.

22. EMPLOYEE BENEFITS

	Group	
	2015	**2014**
	$'000	**$'000**
Employee benefits expense (including directors):		
Salaries and bonuses	2,022	2,596
Central Provident Fund	157	195
Share-based payments (Employee share options plans)	54	–
Other short-term benefits	132	54
	2,365	2,845

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.

22. EMPLOYEE BENEFITS (CONTINUED)

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

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.

The ECL ESOS is administered by the ECL ESOS Committee. The members of the committee at the end of the financial year and at the date of this report are:

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

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.

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

	2015		2014	
	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	0.039	600
Forfeited	–	–	0.039	(50)
Balance as at 30 June	0.033[a]	550	0.033[a]	550
ESOS 2010				
Balance as at 1 July	–	–	–	–
Granted	0.006[b]	10,000	–	–
Balance as at 30 June	0.006[b]	10,000	–	–
Exercisable as at 30 June:				
ESOS 1999	0.033[a]	550	0.033[a]	550
ESOS 2010	0.006[b]	10,000	–	–

22. EMPLOYEE BENEFITS (CONTINUED)

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

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	
		Exercise price	2015	2014
Date of grant of options	**Expiry date**	**$**	**'000**	**'000**
17/4/2006	16/4/2016	0.033	550	550
8/1/2015	7/1/2025	0.006	10,000	–
			10,550	550

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 Trinomial Option Pricing 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**	**22.5.2011**
	$'000	**$'000**
Fair value at measurement date	$54,000	$56,000
Share price	$0.007	$0.045
Exercise price	$0.006	$0.050
Expected volatility	103.86%	52%
Expected option life	10 years	10 years
Expected dividends	0%	0%
Risk-free interest rate	2.34%	3.13%

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.

22. EMPLOYEE BENEFITS (CONTINUED)

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 is administered by the ECL PS Scheme Committee. The members of the committee during the financial year and at the date of this report are:

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

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.

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.

22. EMPLOYEE BENEFITS (CONTINUED)

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 a controlling shareholder and the other his associate, namely Mr. Chng Weng Wah and Mr. Chng Weng Huat respectively. Mr. Chng Weng Huat is the brother of Mr. Chng Weng Wah.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables – third parties	1,960	3,574	–	–
Other payables:				
– subsidiaries	–	–	834	2,411
– an associate	25	18	–	1
– a director	–	246	–	246
– minority shareholders of subsidiaries	263	254	–	–
– third parties	667	724	200	187
	955	1,242	1,034	2,845
Deposits received	424	428	151	158
Others	197	163	–	13
Total trade and other payables	3,536	5,407	1,185	3,016
Non-current	–	–	–	332
Current	3,536	5,407	1,185	2,684
	3,536	5,407	1,185	3,016

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 to a subsidiary of $834,000 (2014: $2,411,000) are unsecured, interest-free (2014: bear interest of 2% per annum) 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.

24. ACCRUALS

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Accrued interests	1,268	908	–	–
Accrued staff costs	660	474	62	36
Accrued operating expenses	1,108	1,524	398	359
	3,036	2,906	460	395
Non-current	–	758	–	–
Current	3,036	2,148	460	395
	3,036	2,906	460	395

25. FINANCIAL LIABILITIES

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Non-current				
Loan from a third party [(a)]	609	1,065	–	–
Finance lease liabilities	117	205	117	184
Secured loan [(b)]	–	299	–	–
Convertible loan [(c)]	–	6,468	–	–
	726	8,037	117	184
Current				
Loan from a third party [(a)]	456	457	–	–
Finance lease liabilities	67	70	67	64
Secured loan [(b)]	299	168	–	–
Convertible loan [(c)]	6,624	–	–	–
	7,446	695	67	64
	8,172	8,732	184	248

(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 3.02% (2014: 2.86%) per annum, is unsecured and repayable over 24 equal instalments. In FY2014, 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.

(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.

25. FINANCIAL LIABILITIES (CONTINUED)

(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 had lapsed on the same date the 1st Tranche became due. In the event that any balance on the 1st Tranche is not converted into the Company's shares or DDSPL's shares within 5 years from the completion date of the 1st Tranche, all outstanding balances including any outstanding interest are to be repaid in cash to the Sculptor Investors. The convertible loan bears interest at 5% per annum and is secured by the Company's corporate guarantee.

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

	2015 Principal $'000	2015 Interest $'000	2015 Payments $'000	2014 Principal $'000	2014 Interest $'000	2014 Payments $'000
Group						
Within 1 year	67	7	74	70	11	81
Between 1 and 5 years	117	9	126	205	16	221
	184	16	200	275	27	302
Company						
Within 1 year	67	7	74	64	10	74
Between 1 and 5 years	117	9	126	184	16	200
	184	16	200	248	26	274

Terms and debt repayment schedule

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

	Year of maturity	2015 Weighted average effective interest rate %	2015 Face value $'000	2015 Carrying amount $'000	2014 Weighted average effective interest rate %	2014 Face value $'000	2014 Carrying amount $'000
Group							
Fixed interest rate convertible loan	2012-2017	7.00	7,000	6,624	7.00	7,000	6,468
Fixed interest rate loan	2014-2017	9.13	299	299	9.13	467	467
Variable interest rate loans	2011-2017	3.59	1,065	1,065	2.86	1,522	1,522
Finance lease liabilities	2009-2019	8.30	184	184	9.60	275	275
			8,548	8,172		9,264	8,732
Company							
Finance lease liabilities	2009-2019	8.30	184	184	10.11	248	248
			184	184		248	248

25. 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:

	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Cash flows: Within 1 year $'000	Cash flows: Within 1 to 5 years $'000	Cash flows: More than 5 years $'000
Group					
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	–
2014					
Non-derivative financial liabilities					
Fixed interest rate convertible loan	6,468	8,750	–	8,750	–
Fixed interest rate loan	467	526	204	322	–
Variable interest rate loans	1,522	1,596	494	1,102	–
Finance lease liabilities	275	302	81	221	–
	8,732	11,174	779	10,395	–

	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Cash flows: Within 1 year $'000	Cash flows: Within 1 to 5 years $'000	Cash flows: More than 5 years $'000
Company					
2015					
Non-derivative financial liabilities					
Finance lease liabilities	184	200	74	126	–
2014					
Non-derivative financial liabilities					
Finance lease liabilities	248	274	74	200	–

26. DERIVATIVE INSTRUMENT

	Group 2015 $'000	Group 2014 $'000
Derivative instrument	21	50

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 25(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 25(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 (2014: $50,000).

27. DEFERRED TAX LIABILITIES

	Group 2015 $'000	Group 2014 $'000
Deferred tax assets:		
Balance as at 1 July	–	435
Charge to profit or loss (Note 8)	–	(452)
Translation differences on consolidation	–	17
Balance as at 30 June	–	–
Deferred tax liabilities:		
Balance as at 1 July	(3,008)	(3,247)
Credit to profit or loss (Note 8)	502	239
Balance as at 30 June	(2,506)	(3,008)
Net deferred tax liabilities	(2,506)	(3,008)
Deferred tax liabilities as at 30 June related to the following:		
Differences in depreciation for tax purposes	–	(262)
Differences arising from intangible assets	(2,506)	(2,746)

28. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Group	Warranties $'000	Legal $'000	Others $'000	Total $'000
Balance as at 1 July 2013	408	270	12	690
Provision made	327	–	–	327
Provision used	(460)	–	–	(460)
Disposal of subsidiaries	–	(270)	–	(270)
Translation differences on consolidation	14	–	–	14
Balance as at 30 June 2014 and 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	–	–	12	12
Company				
Balance as at 1 July 2013 and 30 June 2014	–	–	12	12
Balance as at 1 July 2014 and 30 June 2015	–	–	12	12

In 2014, the provision for warranties was related to electronic products sold. The provision was based on estimates made from historical warranty data associated with similar products and services.

29. OPERATING SEGMENTS

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 3.20.

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

29. OPERATING SEGMENTS (CONTINUED)

For the financial year ended 30 June 2015, the Group comprises the following main reportable segments:

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

Information about reportable segments

	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)

29. OPERATING SEGMENTS (CONTINUED)

Information about reportable segments (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
2014 (Restated)							
Continuing operations							
External revenue	593	–	1,553	470	282	–	2,898
Inter-segment revenue	–	–	–	–	–	169	169
	593	–	1,553	470	282	169	3,067
Share of results of joint ventures	–	–	–	–	–	(32)	(32)
Reportable segment profit/(loss) after income tax from continuing operations	405	–	1,112	(71)	(2,782)	(1,698)	(3,034)
Discontinued operations							
Loss from discontinued operations after tax							(68)
							(3,102)
Other material non-cash items:							
Continuing operations							
– Interest expense	–	–	(56)	(50)	(471)	(14)	(591)
– Depreciation and amortisation	(19)	–	(19)	(5)	(1,568)	(134)	(1,745)
– Fair value gain on derivative instrument	–	–	–	–	711	–	711
– Impairment loss on other current assets	–	–	–	–	–	(350)	(350)
Reportable segment assets	752	–	14,649	1,986	18,950	10,335	46,672
Capital expenditure:							
– Property, plant and equipment	(63)	–	–	–	–	(219)	(282)
Reportable segment liabilities	(1,020)	–	(4,100)	(666)	(10,888)	(1,263)	(17,937)

29. OPERATING SEGMENTS (CONTINUED)

Information about reportable segments (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
2014 (Restated)							
Other material non-cash items:							
Discontinued operations							
– Interest expense	–	(387)	–	–	–	–	(387)
– Depreciation and amortisation	–	(29)	–	–	–	–	(29)
Reportable segment assets	–	3,493	–	–	–	–	3,493
Capital expenditure:							
– Property, plant and equipment	–	(36)	–	–	–	–	(36)
Reportable segment liabilities	–	(2,469)	–	–	–	–	(2,469)

	Group 2015 $'000	Group 2014 $'000 (Restated)
Continuing operations		
Revenue		
Total revenue for reportable segments	1,050	3,067
Elimination of inter-segment revenue	–	(169)
Consolidated revenue	1,050	2,898
Profit or loss		
Total loss for reportable segments	(5,437)	(2,804)
Share of results of associates	(1)	–
Share of results of joint ventures	(372)	(32)
Consolidated loss before income tax	(5,810)	(2,836)

29. OPERATING SEGMENTS (CONTINUED)

Information about reportable segments (Continued)

The Group has five (2014: six) reportable segments operating in the following principal geographical locations:

	Total revenue		Total consolidated assets		Total capital expenditure	
	2015	2014	2015	2014	2015	2014
	$'000	$'000 (Restated)	$'000	$'000	$'000	$'000
Continuing operations						
Singapore	1,037	2,898	43,167	46,574	4	282
Germany	–	–	7	3,235	–	36
Others	13	–	644	356	–	–
	1,050	2,898	43,818	50,165	4	318

Major customers

Revenues from three (2014: one) customers of the Group each exceeded 10% of the Group's total revenues and collectively represented approximately $424,000 (2014: $1,552,000) of the Group's total revenues. Revenues from no other customer exceeded 10% of the Group's total revenues.

30. COMMITMENTS

Operating lease commitments

The Group leases various premises and office equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payable under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are analysed as follows:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Within 1 year	1,157	1,615	624	606
After 1 year but within 5 years	385	1,190	358	663
	1,542	2,805	982	1,269

The Group sub-leases part of its leasehold property. Non-cancellable operating lease rentals which are receivable are analysed as follows:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Within 1 year	1,353	1,990	631	646
After 1 year but within 5 years	193	1,487	183	833
	1,546	3,477	814	1,479

31. CONTINGENT LIABILITIES AND ASSETS

Details of contingent liabilities are as follows:

Group

A customer of a subsidiary made an arbitration claim for breach of a fixture note as well as for loss and damage suffered. The claim amount is approximately $400,000 (2014: $400,000). Arbitration tribunal may be constituted to hear the case or make any further interim orders.

Based on the legal advice obtained, it is possible, but not probable, that the action will succeed and accordingly no provision for any liability has been made in these financial statements.

Company

As at 30 June 2015:

(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 2015, the Company has granted corporate guarantees amounting to $7,299,000 (2014: $7,467,000) to certain financial institutions in respect of facilities extended to these subsidiaries.

(b) The Company had given a corporate guarantee amounting to $853,000 (2014: $853,000) to a financial institution in respect of facilities extended to an investee of the Company's investment in redeemable preference shares (Note 10).

32. RELATED PARTY DISCLOSURES

(a) Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group.

The directors are considered as key management personnel of the Company.

Compensation payable to key management personnel comprises:

	Group	
	2015	2014
	$'000	$'000
Short-term employee benefits	1,497	1,992
Central Provident Fund contribution	68	62
	1,565	2,054

Included in the above is total compensation paid to directors of the Company amounting to $641,000 (2014: $848,000).

32. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Other related party transactions

Other than disclosed elsewhere in the financial statements, transactions with related parties are as follows:

	Group and Company	
	2015	2014
	$'000	$'000
Other services		
Interest income from a related party	3	–
Usage of facilities from related parties	16	–
Paid on behalf by a director of the Company for investment in a joint venture	–	200

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. It is, and has been the Group's policy throughout the current and previous financial year, that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counter party to settle its financial and contractual obligations to the Group, as and when they fall due.

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.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy receivables with good payment record with the Group. Cash and short-term bank deposits, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 to the financial statements.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's the Company's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities. 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 and the Company's liquidity risk management policy is that to maintain sufficient liquid financial assets.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the statement of financial position date based on contractual undiscounted payments.

		2015			2014	
Group	**1 year or less $'000**	**1 to 5 years $'000**	**Total $'000**	**1 year or less $'000**	**1 to 5 years $'000**	**Total $'000**
Financial assets:						
Trade and other receivables (Note 16)	6,102	674	6,776	7,043	1,232	8,275
Loans to third parties (Note 17)	–	223	223	201	397	598
Cash and bank balances (Note 20)	6,858	–	6,858	8,265	–	8,265
Total undiscounted financial assets	12,960	897	13,857	15,509	1,629	17,138
Financial liabilities:						
Trade and other payables (Note 23)	3,536	–	3,536	5,407	–	5,407
Accruals (Note 24)	3,036	–	3,036	2,148	758	2,906
Non-derivative financial liabilities (Note 25)	9,629	747	10,376	779	10,395	11,174
Total undiscounted financial liabilities	16,201	747	16,948	8,334	11,153	19,487
Total net undiscounted financial (liabilities)/assets	(3,241)	150	(3,091)	7,175	(9,524)	(2,349)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Company	2015 1 year or less $'000	2015 1 to 5 years $'000	2015 Total $'000	2014 1 year or less $'000	2014 1 to 5 years $'000	2014 Total $'000
Financial assets:						
Trade and other receivables (Note 16)	136	222	358	132	–	132
Amount due from subsidiaries (Note 17)	–	12,899	12,899	–	15,678	15,678
Loan to a third party (Note 17)	–	223	223	–	223	223
Cash and bank balances (Note 20)	5,702	–	5,702	6,861	–	6,861
Total undiscounted financial assets	5,838	13,344	19,182	6,993	15,901	22,894
Financial liabilities:						
Trade and other payables (Note 23)	1,185	–	1,185	2,684	332	3,016
Accruals (Note 24)	460	–	460	395	–	395
Non-derivative financial liabilities (Note 25)	74	126	200	74	200	274
Total undiscounted financial liabilities	1,719	126	1,845	3,153	532	3,685
Total net undiscounted financial assets	4,119	13,218	17,337	3,840	15,369	19,209

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	2015 1 year or less $'000	2015 1 to 5 years $'000	2015 Total $'000	2014 1 year or less $'000	2014 1 to 5 years $'000	2014 Total $'000
Corporate guarantee (Note 31)	7,299	853	8,152	–	8,320	8,320

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk

All of the Group's term and other bank loans attract floating interest rate. The Group's earnings are affected by changes in interest rates due to the impact such changes have on short-term cash deposits and debt obligations. The Group's debt obligations are mainly denominated in Singapore dollar. Generally, the Group adopts a conservative approach in interest risk management. The Group's policy is to maintain its borrowing such as to balance risks and cost effectiveness.

The Group does not use derivatives to hedge its interest rate risk.

Sensitivity analysis

In managing its interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, any prolonged adverse change in interest rate will have an impact on loss before income tax.

For the variable rate loans, an increase/(decrease) of 100 bp in interest rate at the reporting date would increase/(decrease) loss before income tax respectively by the amounts shown below. This analysis assumes that all other variables remain constant.

	Loss before income tax	
	100 bp increase $'000	100 bp decrease $'000
Group		
30.6.2015		
Variable rate loans	11	(11)
30.6.2014		
Variable rate loans	15	(15)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies giving rise to this risk are primarily United States dollar, Euro, Hong Kong dollar, Chinese Renminbi, Malaysia Ringgit and Indonesia Rupiah.

The Group's exposure to foreign currency risk is closely monitored by management on an ongoing basis.

The Group's and Company's exposures to foreign currencies are as follows:

	United States dollar $'000	Euro $'000	Hong Kong dollar $'000	Chinese Renminbi $'000	Malaysia Ringgit $'000	Indonesia Rupiah $'000
Group						
2015						
Trade and other receivables	252	–	–	–	–	–
Other current assets	578	–	–	32	–	–
Cash and bank balances	315	25	2	4	–	–
Trade and other payables	(743)	–	(28)	–	(4)	(31)
	402	25	(26)	36	(4)	(31)
2014						
Trade and other receivables	498	–	–	–	–	–
Other current assets	567	–	–	–	–	–
Cash and bank balances	279	14	–	–	–	–
Trade and other payables	(705)	–	–	–	(5)	(32)
	639	14	–	–	(5)	(32)
Company						
2015						
Other non-current assets (non-trade receivables)	7,761	–	–	415	–	–
Other receivables	56	–	–	–	–	–
Cash and bank balances	–	20	–	–	–	–
Trade and other payables	(850)	–	–	–	–	–
	6,967	20	–	415	–	–
2014						
Other non-current assets (non-trade receivables)	6,183	2,686	–	380	–	–
Cash and bank balances	–	14	–	–	–	–
Trade and other payables	(1,696)	–	–	–	–	–
	4,487	2,700	–	380	–	–

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

Sensitivity analysis

The table below demonstrates the sensitivity of the Company's loss before income tax to a reasonably possible change in the USD and Euro exchange rates (against SGD), with all other variables held constant.

	Group Loss before income tax	
	2015	**2014**
	$'000	**$'000**
USD – strengthened 10% (2014: 10%)	(40)	(64)
USD – weakened 10% (2014: 10%)	40	64

	Company Loss before income tax	
	2015	**2014**
	$'000	**$'000**
USD – strengthened 10% (2014: 10%)	(697)	(449)
USD – weakened 10% (2014: 10%)	697	449
Euro – strengthened 10% (2014: 10%)	(2)	(270)
Euro – weakened 10% (2014: 10%)	2	270

(e) Estimation of fair value

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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Estimation of fair value (Continued)

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.

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 hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Estimation of fair value (Continued)

Fair value hierarchy *(Continued)*

Group	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2015				
Liabilities				
Derivative instrument (Note 26)	–	–	21	21
2014				
Liabilities				
Derivative instrument (Note 26)	–	–	50	50

There has been no transfer between Level 1, Level 2 and Level 3 for the Group and Company during 2015 and 2014.

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).

Group	2015 $'000
Balance as at 1 July 2014	50
Fair value gain recognised in profit or loss	(29)
Balance as at 30 June 2015	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 2015 $'000	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs
Derivative instrument	21	Binomial Option pricing model	Volatility	34% to 44%

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Estimation of fair value (Continued)

***Level 3 Financial Liabilities Measured at Fair Value** (Continued)*

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).

Valuation Policies and Procedures

The assessment of the fair value of derivative instrument is performed by the Group's finance department and reported to the Audit Committee on an annual basis.

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.

The Group's finance department also evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

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.

34. CAPITAL MANAGEMENT

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 shareholders.

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.

34. CAPITAL MANAGEMENT (CONTINUED)

The debt to equity ratios at 30 June are as follows:

	Group	
	2015	2014
	$'000	$'000
Total borrowings	8,172	8,732
Equity	26,535	29,759
Debt to equity ratio	0.31	0.29

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.

35. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The table below is an analysis of the carrying amounts of financial instruments by categories.

Loans and receivables

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade and other receivables (Note 16)	6,787	8,166	358	132
Add:				
– Loans to third parties (Note 17)	210	376	210	210
– Amount due from subsidiaries (Note 17)	–	–	12,899	15,678
– Refundable deposits (Note 19)	453	445	170	176
– Amount due from minority shareholder in subsidiary (Note 19)	43	43	–	–
– Loan to a third party (Note 19)	–	193	–	–
– Interest receivable (Note 19)	15	2	15	2
– Cash and bank balances (Note 20)	6,858	8,265	5,702	6,861
Total loans and receivables	14,366	17,490	19,354	23,059

Financial liabilities measured at amortised cost

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade and other payables (Note 23)	3,536	5,407	1,185	3,016
Add:				
– Accruals (Note 24)	3,036	2,906	460	395
– Financial liabilities (Note 25)	8,172	8,732	184	248
Less:				
– Finance leases (Note 25)	(184)	(275)	(184)	(248)
Total financial liabilities carried at amortised cost	14,560	16,770	1,645	3,411

36. COMPARATIVE FIGURES

The following comparative figures in the financial statements are due to liquidation of subsidiaries. The results of these operations have been reclassified as discontinued operations.

	Group	
	As previously reported $'000	As restated $'000
Consolidated income statement		
Continuing operations		
Revenue	14,874	2,898
Cost of sales	(8,996)	(706)
Other income	4,108	4,308
Distribution expenses	(3,589)	(617)
Administrative expenses	(7,825)	(7,357)
Other expenses	(466)	(739)
Finance costs	(978)	(591)
Discontinued operations		
Loss from discontinued operations, net of tax	–	(68)

37. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 3 August 2015, the Company announced that the 3,676,177,056 Warrants have been allotted and issued pursuant to the Warrants Issue. This represents approximately 79.88% of the total number of Warrants available for subscription under the Warrants Issue. The Warrants were listed and quoted on Catalist on 5 August 2015. The Warrants were issued for an consideration of $3,676,177, including the receipt of $878,000 from two existing shareholders as prepaid capital contribution as at 30 June 2015 for their irrevocable undertakings to subscribe all the warrants representing their warrant entitlements.

On 9 September 2015, the Company announced that via its 50% owned joint venture, CWPL incorporated a wholly-owned subsidiary, Citrine Wireless (Guangzhou) Limited in the People's Republic of China to undertake sales, research and development of computer, software and hardware and investment management.

On 15 September 2015, the Company announced that via its 50% owned joint venture, CWPL has entered into a joint venture with Joybien Technologies Co., Ltd, an independent unrelated third party, to each acquire 50% shareholding in Capital Eagle Holdings Limited, a company which was incorporated in Samoa.

38. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 3 November 2015.

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 20 OCTOBER 2015

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	36	0.40	537	0.00
100 – 1,000	352	3.90	315,167	0.01
1,001 – 10,000	2,839	31.43	17,492,858	0.34
10,001 – 1,000,000	5,394	59.73	813,679,400	15.91
1,000,001 and above	410	4.54	4,282,241,683	83.74
TOTAL	**9,031**	**100.00**	**5,113,729,645**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 20 OCTOBER 2015

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	CHNG WENG WAH	512,224,132	10.02
2	CITIBANK NOMINEES SINGAPORE PTE LTD	469,607,500	9.18
3	UNITED OVERSEAS BANK NOMINEES PTE LTD	228,954,750	4.48
4	JOHN WONG WENG FOO	200,000,000	3.91
5	OCBC SECURITIES PRIVATE LIMITED	189,541,150	3.71
6	MAYBANK KIM ENG SECURITIES PTE LTD	184,832,741	3.61
7	TAN HUI SONG	140,529,146	2.75
8	CHANG FOO HWA	127,627,000	2.50
9	DBS NOMINEES (PRIVATE) LIMITED	118,456,059	2.32
10	LIM HONG KIA	88,000,000	1.72
11	UOB KAY HIAN PRIVATE LIMITED	55,655,500	1.09
12	PINNACLE INVESTMENTS LIMITED	54,500,000	1.07
13	LOW AI LIN ELAINE	43,625,000	0.85
14	NG BEE LEE	40,258,000	0.79
15	SOH KHENG YEOW AUGUSTINE	40,000,000	0.78
16	WEE HUI HIAN	39,888,900	0.78
17	RAFFLES NOMINEES (PTE) LIMITED	39,556,300	0.77
18	GOLDEN DELTA HOLDINGS LTD	37,277,000	0.73
19	HL BANK NOMINEES (SINGAPORE) PTE LTD	35,184,375	0.69
20	ONG CHEIT BOO	34,250,000	0.67
	TOTAL	**2,679,967,553**	**52.42**

STATISTICS OF SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS AS AT 20 OCTOBER 2015

Substantial Shareholders	Direct Interest No. of Shares	Direct Interest %	Deemed Interest No. of Shares	Deemed Interest %	Total No. of Shares	Total %
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 2015

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 No. of Shares	Direct Interest %	Deemed Interest No. of Shares	Deemed Interest %	Total No. of Shares	Total %
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' Report section of this annual report between the end of the financial year and 21 July 2015.

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 20 October 2015 and therefore, Rule 723 of the Rules of Catalist is complied with.

W170802 @ $0.007 each expiring on 02 August 2017

DISTRIBUTION OF WARRANTHOLDERS BY SIZE OF WARRANTHOLDINGS AS AT 20 OCTOBER 2015

SIZE OF WARRANTHOLDING	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 – 99	2	0.23	59	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	640	73.99	179,454,189	4.88
1,000,001 and above	201	23.24	3,496,621,916	95.12
TOTAL	**865**	**100.00**	**3,676,177,056**	**100.00**

TWENTY LARGEST WARRANTHOLDERS AS AT 20 OCTOBER 2015

	NAME OF WARRANTHOLDERS	NO. OF WARRANTS	%
1	CHNG WENG WAH	461,001,718	12.54
2	CITIBANK NOMINEES SINGAPORE PTE LTD	420,567,750	11.44
3	JOHN WONG WENG FOO	380,000,000	10.34
4	MAYBANK KIM ENG SECURITIES PTE LTD	292,400,900	7.95
5	TAN HUI SONG	180,000,001	4.90
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	156,551,300	4.26
7	OCBC SECURITIES PRIVATE LIMITED	124,848,825	3.40
8	CHANG FOO HWA	114,864,300	3.12
9	LIM HONG KIA	72,000,000	1.96
10	RAFFLES NOMINEES (PTE) LIMITED	70,183,000	1.91
11	WONG HAN YEW	70,000,000	1.90
12	UOB KAY HIAN PRIVATE LIMITED	69,890,320	1.90
13	WEE HUI HIAN	51,401,000	1.40
14	DBS NOMINEES (PRIVATE) LIMITED	42,011,160	1.14
15	CHAN KHENG ANN	39,900,000	1.09
16	NG BEE LEE	37,000,000	1.01
17	HUANG QINGPING	32,460,800	0.88
18	WONG WENG TUCK	32,050,000	0.87
19	ONG CHEIT BOO	31,750,000	0.86
20	TAN ENG CHUA EDWIN	30,040,000	0.82
	TOTAL	**2,708,921,074**	**73.69**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Ninth Annual General Meeting of Equation Summit Limited will be held at 2 Bukit Merah Central, Podium Block, Level 3, Room P301, Singapore 159835 on Monday, 30 November 2015 at 10:30 a.m. to transact the following business:–

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements of the Company for the financial year ended 30 June 2015. **(Resolution 1)**

2. To approve Directors' fees of S$213,000 for the financial year ended 30 June 2015. (2014: S$213,000) **(Resolution 2)**

3. To re-elect Mr. Chng Weng Wah, as Director of the Company who would be retiring at the forthcoming Annual General Meeting pursuant to Article 92 of the Company's Articles of Association. **(Resolution 3)**

   Mr. Chng Weng Wah, upon re-election as a Director of the Company, will remain as the Executive Director of the Company.

4. To re-appoint Mr. Toh Hock Ghim, who is over the age of 70 years, as a Director pursuant to Section 153(6) of the Companies Act, Chapter 50 to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **(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, who is over the age of 70 years, as a Director pursuant to Section 153(6) of the Companies Act, Chapter 50 to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **(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 Ernst & Young 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: Section B of the SGX-ST Listing Manual

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) 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 Instrument 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 Articles of Association 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)

9. Authority to issue shares under the Equation Executives' Share Option Scheme (the "ECL Scheme 1999")

"That authority be and is hereby given to the Directors of the Company 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 1999 provided always that the aggregate number of new shares to be allotted and issued pursuant to the ECL Scheme 1999, ECL Scheme 2010 and ECL Performance Shares Scheme shall not exceed 15% of the total number of issued share (excluding treasury shares) in the capital of the Company from time to time, as determined in accordance with the provisions of the ECL Scheme 1999." **(Resolution 8)**

10. 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 1999, 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 9)

11. 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 1999 and 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 10)

12. 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 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 Share Purchase Mandate shall, unless varied or revoked by the Company in general meeting, continue in force until the date on which the next annual general meeting of the Company is or is required by law to be held, whichever is the earlier;

(c) in this 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 announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price of an Off-Market Purchase) for each Share and 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

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 Resolution, with such modifications thereto (if any) as they or he shall think fit in the interests of the Company. **(Resolution 11)**

By Order of the Board
Kenneth Leong
Company Secretary

Date: 13 November 2015

Statement Pursuant to Article 54 of the Company's Articles of Association

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 earlier, to allot and issue shares upon the exercise of the options granted in accordance with the ECL Scheme 1999 which was approved at the Extraordinary General Meeting of the Company on 23 December 1999 not exceeding 15% of the total number of issued shares excluding treasury shares of the Company from time to time.

(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 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.

(d) The Ordinary Resolution 10 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.

(e) The Ordinary Resolution 11 above, if passed, will empower the Directors of the Company from the date of passing of the Resolution until the earliest of (i) 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; (ii) the date on which the share purchase are carried out to the full extent mandated, or (iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by the Company in general meeting, to repurchase 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 accounts of the Group for the financial year ended 30 June 2015 are set out in greater detail in the Letter to Shareholders dated 13 November 2015 attached to this Annual Report.

Notes:

1. *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.*
2. *A proxy need not be a member of the Company.*
3. *If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.*
4. *The instrument appointing a proxy must be deposited at the registered office of the Company at 50 Raffles Place, #25-03 Singapore Land Tower, Singapore 048623, not later than 48 hours before the time appointed for the Meeting.*

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General 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. The contact person for the Sponsor is Mr Ong Hwee Li (Telephone: 65 6532 3829) at 1 Robinson Road, #21-02, AIA Tower, Singapore 048542.

This 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.

EQUATION SUMMIT LIMITED

(formerly known as Equation Corp Limited)
(Company Registration No. 197501110N)
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this form)

IMPORTANT

1. For investors who have used their CPF monies to buy EQUATION SUMMIT LIMITED's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent **FOR INFORMATION ONLY**.
2. 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.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

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 him/her*, the Chairman of the Annual General Meeting ("**AGM**") as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the AGM of the Company, to be held at 2 Bukit Merah Central, Podium Block, Level 3, Room P301 on Monday, 30 November 2015 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 AGM as indicated hereunder. If no specified direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/their* discretion, as he/they* will on any other matters arising at the AGM.

No.	Ordinary Resolutions	For	Against
1.	Directors' Report and Audited Financial Statements of the Company for the financial year ended 30 June 2015.		
2.	Approval of Directors' fees of S$213,000 for the financial year ended 30 June 2015. (2014: S$213,000)		
3.	Re-election of Mr. Chng Weng Wah pursuant to Article 92 of the Company's Articles of Association.		
4.	Re-appointment of Mr. Toh Hock Ghim pursuant to Section 153(6) of the Companies Act, Chapter 50.		
5.	Re-appointment of Mr. Kan Ah Chye pursuant to Section 153(6) of the Companies Act, Chapter 50.		
6.	Re-appointment of Messrs Ernst & Young 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 issue shares under the ECL Scheme 1999.		
9.	Authority to grant options and issue shares under the ECL Scheme 2010.		
10.	Authority to issue shares under ECL Performance Shares Scheme.		
11.	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 ______________ 2015

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)/Common Seal

* *Delete accordingly*

Notes:–

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. 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 Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 50 Raffles Place, #25-03 Singapore Land Tower, Singapore 048623, not later than 48 hours before the time set for the Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
7. 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 members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

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 November 2015.

AFFIX STAMP

The Company Secretary
EQUATION SUMMIT LIMITED
50 Raffles Place
#25-03, Singapore Land Tower
Singapore 048623

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Equation Summit Limited

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