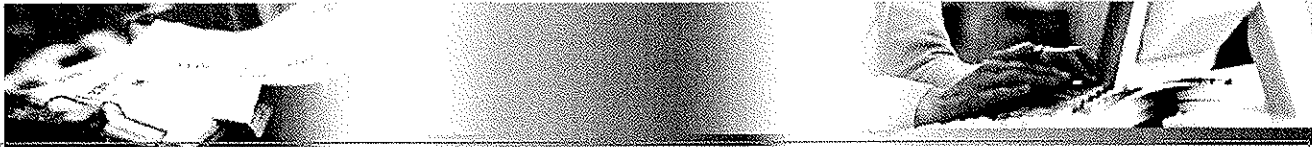




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Announcement Details :

Announcement Reference Number	00145
Broadcast Status	PUBLISHED
Broadcast Date & Time	14-May-2010 17:44:23
Submission Date & Time	14-May-2010 17:43:28
Company Name	EQUATION CORP LIMITED
Announcement Title	THIRD QUARTER RESULTS * FINANCIAL STATEMENT AND RELATED ANNOUNCEMENT
Announcement Category	FINANCIAL STATEMENT AND RELATED ANNOUNCEMENT

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Third Quarter Results * Financial Statement And Related Announcement


* Asterisks denote mandatory information

Name of Announcer *	EQUATION CORP LIMITED
Company Registration No.	197501110N
Announcement submitted on behalf of	EQUATION CORP LIMITED
Announcement is submitted with respect to *	EQUATION CORP LIMITED
Announcement is submitted by *	Chng Weng Wah
Designation *	Director
Date & Time of Broadcast	14-May-2010 17:44:23
Announcement No.	00145

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For the Financial Period Ended *	31-03-2010
Description	Please see attached.

Attachments ECL-Q3Result-2010.pdf
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quotation
CORP. LIMITED

(Company Registration No. 197501110N)

Unaudited Financial Statement and Dividend Announcement for the Third Quarter ended 31 March 2010

This announcement has been reviewed by the Company's sponsor, KW Capital Pte. Ltd., 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 announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The details of the contact person for the Sponsor is: -

Name : Mr. Hoon Tai Meng (Registered Professional, KW Capital Pte. Ltd.)

Address : 80 Raffles Place, #25-01 UOB Plaza 1, Singapore 048624

Tel : 6238 3377

PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

1(a)(i) Income Statement

	Group 3rd Qtr ended 31 Mar 2010 \$'000	Group 3rd Qtr ended 31 Mar 2009 \$'000	Group 9 months ended 31 Mar 2010 \$'000	Group 9 months ended 31 Mar 2009 \$'000
Sales	5,365	11,893	21,836	29,245
Cost of sales	(5,443)	(8,557)	(17,855)	(24,468)
Gross (loss)/profit	(78)	3,336	3,981	4,777
Other income	3,084	280	4,810	998
Distribution expenses	(1,267)	(2,783)	(6,377)	(7,326)
Administrative expenses	(2,960)	(2,212)	(7,921)	(6,286)
Other expenses	(274)	(173)	(1,128)	(413)
Results from operating activities	(1,495)	(1,752)	(6,635)	(8,250)
Share of losses of associates, net of tax	(2,921)	(762)	(4,518)	(6,839)
Loss before income tax	(4,416)	(2,514)	(11,153)	(15,089)
Income tax (expense)/credit	(15)	-	(31)	19
Loss for the period	(4,431)	(2,514)	(11,184)	(15,070)
Loss attributable to: Equity holders of the Company	(3,547)	(2,344)	(8,771)	(13,042)
Minority interests	(884)	(170)	(2,413)	(2,028)
	(4,431)	(2,514)	(11,184)	(15,070)



quation
CORP LIMITED

(Company Registration No. 19750110N)

Unaudited Financial Statement and Dividend Announcement for the Third Quarter ended 31 March 2010

Statement of Comprehensive Income

	Group 3rd Qtr ended 31 Mar 2010 \$'000	Group 3rd Qtr ended 31 Mar 2009 \$'000	Group 9 months ended 31 Mar 2010 \$'000	Group 9 months ended 31 Mar 2009 \$'000
Net loss for the period ended	(4,431)	(2,514)	(11,184)	(15,070)
Other comprehensive income:				
Translation differences relating to financial statements of foreign subsidiaries	(5)	(160)	(279)	867
Share movement in an associated company's share option reserve	(147)	-	(59)	-
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	1	6
Value of employee services received for issue of share options	(9)	(3)	1	8
Other comprehensive income for the period, net of tax	<u>(161)</u>	<u>(163)</u>	<u>(336)</u>	<u>881</u>
Total comprehensive income for the period	<u>(4,592)</u>	<u>(2,677)</u>	<u>(11,520)</u>	<u>(14,189)</u>
Total comprehensive income attributable to:				
Equity holders of the Company	(3,671)	(2,455)	(9,091)	(12,076)
Minority interests	<u>(921)</u>	<u>(222)</u>	<u>(2,429)</u>	<u>(2,113)</u>
	<u>(4,592)</u>	<u>(2,677)</u>	<u>(11,520)</u>	<u>(14,189)</u>



quation
CORP. LIMITED

(Company Registration No. 19750110N)

Unaudited Financial Statement and Dividend Announcement for the Third Quarter ended 31 March 2010

1(a)(ii) Notes to the Income Statement

Loss for the period include the following (charges)/credits:

	Group 3rd Qtr ended 31 Mar 2010 \$'000	Group 9 months ended 31 Mar 2010 \$'000	Group 9 months ended 31 Mar 2009 \$'000
Finance expenses:			
- bank borrowings	(234)	(624)	(226)
- finance lease liabilities	(218)	(578)	(138)
- others	(16)	(46)	(67)
	-	-	(21)
Depreciation of property, plant and equipment	(849)	(2,500)	(1,651)
Utilisation of prepayment for granite and rights of use of plant and equipment	(49)	(349)	(10)
Property, plant and equipment written off	-	-	(9)
Staff costs	(1,111)	(3,718)	(2,989)
Impairment of plant and equipment	(68)	(158)	-
Reversal/(impairment) of stock values	42	296	(807)
Provision for warranty	(248)	(1,052)	(1,993)
Reversal/(allowance) for impairment of trade and other receivables	88	(254)	(88)
Rental expense - operating leases	(569)	(1,543)	(1,430)
Exchange loss - net	(228)	(194)	(593)
Impairment of goodwill	-	-	(57)
Negative goodwill arising from acquisition of subsidiaries	2,259	2,259	-
Interest income	98	102	149
Amount due to a former minority shareholder of a subsidiary written back	-	-	321
Amount due to a minority shareholder of a subsidiary waived off	-	1,050	-
Gain on disposal of property, plant and equipment	488	488	14
Income tax (expense)/credit:	(15)	(31)	19
Current income tax	(2)	(2)	-
Deferred income tax	-	-	24
(Under)/over provision in preceding financial years for:			
- current income tax	(13)	(29)	(5)
- deferred income tax	-	-	-



quation
CORP LIMITED

(Company Registration No. 197501110N)

Unaudited Financial Statement and Dividend Announcement for the Third Quarter ended 31 March 2010

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group As at 31 Mar 2010 \$'000	Group As at 30 Jun 2009 \$'000	Company As at 31 Mar 2010 \$'000	Company As at 30 Jun 2009 \$'000
ASSETS				
Non-current assets				
Property, plant and equipment	28,695	26,566	447	571
Subsidiaries	-	-	14,435	6,661
Associates	2,285	4,212	17,448	14,827
Other non-current assets	13,985	9,986	50	50
Deferred tax assets	247	268	-	-
	<u>45,212</u>	<u>41,042</u>	<u>32,380</u>	<u>22,109</u>
Current assets				
Inventories	4,760	3,491	-	-
Properties held for sale	2,067	225	-	-
Trade and other receivables	2,592	7,208	30,783	26,915
Other current assets	2,531	4,191	309	318
Cash and cash equivalents	10,041	14,638	804	9,607
	<u>21,991</u>	<u>23,753</u>	<u>31,896</u>	<u>36,840</u>
Total assets	67,203	70,795	64,276	58,949
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	101,854	94,154	101,854	94,154
Reserves	22	342	91	90
Accumulated losses	(84,881)	(56,210)	(43,446)	(41,352)
	<u>36,895</u>	<u>38,286</u>	<u>58,499</u>	<u>52,892</u>
Minority interests	585	1,543	-	-
Total equity	37,480	39,829	58,499	52,892
LIABILITIES				
Non-current liabilities				
Financial liabilities	8,559	11,789	231	-
Deferred tax liabilities	271	-	-	-
	<u>8,830</u>	<u>11,789</u>	<u>231</u>	<u>-</u>
Current Liabilities				
Trade and other payables	9,046	10,089	5,470	5,795
Financial liabilities	10,458	7,943	51	250
Current tax payable	15	2	13	-
Provision for other liabilities and charges	1,374	1,143	12	12
	<u>20,893</u>	<u>19,177</u>	<u>5,546</u>	<u>6,057</u>
Total liabilities	29,723	30,966	5,777	6,057
Total equity and liabilities	67,203	70,795	64,276	58,949



Unaudited Financial Statement and Dividend Announcement for the Third Quarter ended 31 March 2010

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31 March 2010 (\$'000)		As at 30 Jun 2009 (\$'000)	
Secured	Unsecured	Secured	Unsecured
10,453	5	7,692	250

Amount repayable after one year

As at 31 March 2010 (\$'000)		As at 30 Jun 2009 (\$'000)	
Secured	Unsecured	Secured	Unsecured
8,557	2	11,789	-

Details of collateral

As at balance sheet date, the total borrowings included secured liabilities of \$19,010,000 (30 June 2009: \$19,481,000) for the Group. Secured bank loans and lease liabilities amounted to \$18,596,000 (30 June 2009: \$19,291,000) are secured by security charges and debentures deeds which provide for first floating charge on certain assets of the subsidiaries, including 2 leasehold buildings, plant and building, plant and equipment and corporate guarantees given by the Company. Other finance lease liabilities of the Group amounting to \$414,000 (30 June 2009: \$190,000) are secured by the rights to the leased plant and equipment and corporate guarantees given by the Company.

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

	Group 3rd Qtr ended 31 Mar 2010 \$'000	Group 3rd Qtr ended 31 Mar 2009 \$'000	Group 9 months ended 31 Mar 2010 \$'000	Group 9 months ended 31 Mar 2009 \$'000
Operating activities				
Loss for the period	(4,431)	(2,514)	(11,184)	(15,070)
Adjustments for:				
- Income tax expense/(credit)	15	-	31	(19)
- Share option expenses	(9)	(19)	1	(8)
- Depreciation of property, plant and equipment	849	568	2,500	1,651
- Utilisation of prepayment for granite and rights of use of plant and equipment	49	10	349	10
- Gain on disposal of property, plant and equipment	(488)	(6)	(488)	(14)
- Property, plant and equipment written off	-	-	-	9
- Interest expenses	234	72	624	226
- Interest income	(98)	(19)	(102)	(149)
- Impairment of plant and equipment	68	-	158	-
- (Write back)/impairment of stock values	(42)	(798)	(296)	807
- (Reversal)/allowance for impairment of trade and other receivables	(88)	88	254	88
- Amount due to a former minority shareholder of a subsidiary written back	-	-	-	(321)
- Amount due to a minority shareholder of a subsidiary waived off	-	-	(1,050)	-
- Provision for other liabilities and charges made	248	856	1,052	2,006
- Negative goodwill arising from acquisition of subsidiaries	(2,259)	-	(2,259)	-
- Impairment of goodwill	-	-	-	57
- Share of losses of associates, net of tax	2,921	762	4,518	6,839
Operating cash flow before working capital changes	(3,031)	(1,000)	(5,892)	(3,888)



Equation
CORP LIMITED

(Company Registration No. 197501110N)

Unaudited Financial Statement and Dividend Announcement for the Third Quarter ended 31 March 2010

	Group 3rd Qtr ended 31 Mar 2010 \$'000	Group 3rd Qtr ended 31 Mar 2009 \$'000	Group 9 months ended 31 Mar 2010 \$'000	Group 9 months ended 31 Mar 2009 \$'000
Changes in working capital:				
- Properties held for sale	24	35	164	132
- Inventories	63	2,524	362	2,872
- Trade and other receivables	2,355	770	5,711	1,635
- Other current assets	254	(9,817)	1,721	(12,246)
- Trade and other payables	(898)	936	(134)	859
- Provision for other liabilities and charges	(354)	(607)	(1,184)	(1,566)
Cash (utilised in)/from operations	(1,587)	(7,159)	748	(12,202)
Income tax paid	(8)	49	(22)	(365)
Cash flows (used in)/from operating activities	(1,595)	(7,110)	726	(12,567)
Investing activities				
Interest received	98	45	102	172
Purchase of property, plant and equipment	(262)	(2,460)	(2,290)	(2,616)
Proceeds from sale of property, plant and equipment	2,441	-	2,441	-
Prepayment for granite, and rights of use of plant and equipment	-	(815)	(3,500)	(815)
Investment in associates (Note B)	(13)	-	(2,227)	-
Acquisition of remaining interests in a subsidiary from its minority shareholder	-	-	-	(753)
Acquisition of subsidiaries, net of cash acquired (Note C)	3,294	-	3,294	-
Cash flows from/(used in) investing activities	5,558	(3,230)	(2,180)	(4,012)
Financing activities				
Net proceeds from issuance of ordinary shares (refer 1(d)(ii))	1,200	-	1,200	-
Proceeds from issuance of share capital to minority shareholder by a subsidiary	-	-	1,471	165
Receipts in advance from issuance of ordinary shares	-	4,146	-	4,146
Interest paid	(253)	(77)	(624)	(229)
Changes in amount due to directors	-	1	(23)	-
Proceeds from finance lease	-	-	215	-
Repayments of finance lease	(9)	(204)	(346)	(490)
Withdrawal of deposits placed with banks as security	-	-	181	-
Changes in amount due to minority shareholders of subsidiaries	(1,001)	4,640	(1,128)	4,635
Repayments of bank borrowings	(1,211)	(415)	(3,458)	(1,215)
Cash flows (used in)/from financing activities	(1,274)	8,091	(2,512)	7,012
Net increase(decrease) in cash and cash equivalents	2,689	(2,249)	(3,966)	(9,587)
Cash and cash equivalents at beginning of the period	7,304	13,567	14,183	20,781
Effects of exchange rate changes on cash and cash equivalents	(225)	288	(449)	432
Cash and cash equivalents at end of the period (Note A)	9,768	11,626	9,768	11,626



Unaudited Financial Statement and Dividend Announcement for the Third Quarter ended 31 March 2010

Note A:

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

	Group 9 months ended 31 Mar 2010	Group 9 months ended 31 Mar 2009
	\$'000	\$'000
Cash at bank and on hand	8,803	8,939
Short-term bank deposits	1,238	3,100
Cash and cash equivalents per Group balance sheet	10,041	12,039
Less: Deposits placed with a bank as security	(273)	(413)
Cash and cash equivalents per consolidated cash flow statement	9,768	11,626

Note B:

During the financial period, advances to Centiflion Environment & Recycling Limited ("Centiflion") amounting to \$2.0 million was subsequently utilised as partial payment for the subscription of Centiflion's rights issue shares.

Note C:

On 14 January 2010, the Group acquired all of the shares in Disa Digital Safety Pte. Ltd. ("DDS") (formerly known as Ternary Technologies Pte. Ltd.) for an initial purchase consideration of \$6.5 million by way of issuance of 184,659,091 new ordinary shares at \$0.0352 per share. The final purchase consideration is further subject to an Earn-Out payment valued at ten times of DDS consolidated profit after tax for the financial year ending 30 June 2010 less initial purchase consideration of \$6.5 million.

Prior to the finalisation of the Earn-Out payment, the Group tentatively allocated the initial purchase consideration to the identifiable assets and liabilities and contingent liabilities of the subsidiary at their fair values on the date of acquisition in accordance with FRS 103 Business Combinations. Accordingly, the identifiable assets, liabilities and contingent liabilities have been accounted at their provisional fair values, resulting in negative goodwill of \$2.3 million which have been accounted under other income.

Any material adjustments to the goodwill, upon finalisation of Earn-Out payment, if required, will be made when adjustments are made to those provisional values as a result of completing the purchase price allocation exercise within twelve months of the date of acquisition, i.e. 14 January 2011.

The effect of the acquisition of subsidiary is set out below:

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	\$'000	\$'000	\$'000
Property, plant and equipment	6,208	-	6,208
Other non-current assets	658	-	658
Inventories	1,335	-	1,335
Trade and other receivables	1,824	-	1,824
Other current assets	265	-	265
Cash and cash equivalents	3,294	-	3,294
Trade and other payables	(1,319)	-	(1,319)
Financial liabilities	(2,878)	-	(2,878)
Provisions for other liabilities and charges	(363)	-	(363)
Deferred tax liabilities	(265)	-	(265)
Net identifiable assets and liabilities	8,759	-	8,759
Goodwill on acquisition			(2,259)
Consideration paid, satisfied by issue of shares			6,500
Cash acquired			(3,284)
Net cash inflow			3,206



Unaudited Financial Statement and Dividend Announcement for the Third Quarter ended 31 March 2010

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

Group	Share capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total attributable to equity holders of the Company \$'000	Minority interests \$'000	Total equity \$'000
Q3FY2010						
At 1 July 2009	94,154	342	(56,210)	38,286	1,543	39,829
Total comprehensive income for the financial period	-	(320)	(8,771)	(9,091)	(2,428)	(11,520)
Issue of shares	7,700	-	-	7,700	-	7,700
Issue of share capital to minority shareholder by a subsidiary	-	-	-	-	1,471	1,471
At 31 March 2010	101,854	22	(64,981)	36,895	585	37,480
Q3FY2009						
At 1 July 2008	80,054	8	(38,636)	41,426	2,839	44,265
Total comprehensive income for the financial period	-	950	(13,042)	(12,092)	(2,113)	(14,205)
Acquisition of remaining interests in a subsidiary from its minority shareholder	-	(595)	-	(595)	(158)	(753)
Issue of shares as part settlement (Note 1)	2,000	-	-	2,000	-	2,000
Issue of share capital to minority shareholder by a subsidiary	-	-	-	-	165	165
At 31 March 2009	82,054	363	(51,678)	30,739	733	31,472

Company

	Share capital \$'000	Other reserves \$'000	Accumulated losses \$'000	Total \$'000
Q3FY2010				
At 1 July 2009	94,154	90	(41,352)	52,892
Total comprehensive income for the financial period	-	1	(2,094)	(2,093)
Issue of shares	7,700	-	-	7,700
At 31 March 2010	101,854	91	(43,446)	58,499
Q3FY2009				
At 1 July 2008	80,054	117	(35,440)	44,731
Total comprehensive income for the financial period	-	(8)	(5,415)	(5,423)
Issue of shares as part settlement (Note 1)	2,000	-	-	2,000
At 31 March 2009	82,054	109	(40,855)	41,308

Note 1:

On 12 March 2009, the Company issued 68,259,385 new ordinary shares valued at \$2 million in the issued share capital of the Company to nominee of PT Kawasan Dinamika Harmonitama ("KDHT"), Mr. Zheng Zhuan Yao, as part of the settlement pursuant to the completion of Sale and Purchase and Co-operation Agreement entered into between Equation Resources Pte. Ltd., a 70% owned subsidiary and KDHT.



Equation
CORP. LIMITED

(Company Registration No. 1975011108X)

Unaudited Financial Statement and Dividend Announcement for the Third Quarter ended 31 March 2010

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

A) Changes in share capital during the financial period
On 13 January 2010, the Company issued 24,000,000 new ordinary shares at \$0.05 per share in the issued and paid-up share capital of the Company pursuant to a Subscription Agreement entered between the Company and the Subscriber.

On 14 January 2010, the Company issued 184,659,091 new ordinary shares at \$0.0352 per share in the issued share capital of the Company pursuant to the acquisition of DDS as based on the terms and conditions of the Circular dated 4 December 2009.

The issued share capital of the Company, as at 31 March 2010, comprises 2,015,375,222 (31 December 2009: 1,806,716,131) ordinary shares.

B) Share options - Equation Executives' Share Option Scheme ("ESOS")

As at 31 March 2010, there were ESOS outstanding for the subscription of 3,100,000 (31 March 2009: 3,900,000) ordinary shares in the share capital of the Company.

Save for the above, there are no unissued shares of the Company under option as at the end of the financial period.

C) Treasury shares

No treasury shares were held by the Company as at 31 March 2010 and 31 March 2009.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.
The number of issued shares as at 31 March 2010 is 2,015,375,222 (30 June 2009: 1,806,716,131) ordinary shares.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.
None.

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

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

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

Not applicable.

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

Except as disclosed under paragraph 5 below, the Group has applied the same accounting policies and methods of computation for the current financial period compared with the audited financial statements for the financial year ended 30 June 2009.

Unaudited Financial Statement and Dividend Announcement for the Third Quarter ended 31 March 2010

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

The Group has not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued as of balance sheet date but are not yet effective:

- Amendments to FRS 39: Amendments relating to Eligible Hedged Items
- Amendments to FRS 103 (revised July 2009) and FRS 27 (revised July 2009): Business Combinations and Separate Consolidated Financial Statements
- Improvements to FRSs 2009

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

	Group			
	3rd Qtr ended 31 Mar 2010	3rd Qtr ended 31 Mar 2009	9 months ended 31 Mar 2010	9 months ended 31 Mar 2009
Earning per share	(0.19)	(0.18)	(0.47)	(1.03)
(a) Basic earnings per share (cents per share)	1,865,441,496	1,271,520,006	1,865,441,496	1,261,333,691
- Weighted average number of ordinary shares in issue for basic earnings per share	(0.19)	(0.18)	(0.47)	(1.03)
(b) Diluted earnings per share (cents per share)	1,868,541,496	1,271,520,006	1,868,541,496	1,261,333,691
- Adjusted weighted average number of ordinary shares in issue for diluted earnings per share				

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

	Group		Company	
	As at 31 Mar 2010	As at 30 Jun 2009	As at 31 Mar 2010	As at 30 Jun 2009
Net asset value per ordinary share based on issued share capital (cents)	1.86	2.20	2.90	2.93

The net asset value per ordinary share is computed based on 2,015,375,222 (30 June 2009: 1,806,716,131) ordinary shares.

Unaudited Financial Statement and Dividend Announcement for the Third Quarter ended 31 March 2010

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

(A) Income Statement (Q3FY2010 versus Q3FY2009)

i) Revenue

The Group's revenue decreased by \$6.3 million (\$4.1%) from \$11.7 million (Q3FY2009) to \$5.4 million (Q3FY2010) and decreased by \$7.4 million (25.3%) from \$29.2 million (9 months ended 31 March 2009) to \$21.8 million (9 months ended 31 March 2010). The breakdown of revenue are represented below:

The slow recovery of the global economic continue to affect the Group's businesses in this quarter. Sales volume from the Consumer electronic products segment were affected by weakening consumer spending; weak commodity prices and downsizing of business have resulted in lower trading activities for the E-waste/recycling segment. Both segments recorded a significant drop in revenue of approximately \$7.8 million (40.9%) and \$2.7 million (60.8%) respectively for the year-to-date (YoY) comparison. The Supply of construction material segment decreased approximately \$2.5 million (71.6%) as compared to Q3FY2009 due mainly to lower cargo volume. In addition to the above, the acquisition of DDS in this quarter helps generate new revenue stream for the Group.

	3rd Qtr ended		3rd Qtr ended		9 months ended		9 months ended	
	31 Mar 2010	% to total revenue	31 Mar 2009	% to total revenue	31 Mar 2010	% to total revenue	31 Mar 2009	% to total revenue
	\$'000		\$'000		\$'000		\$'000	
Consumer electronic products	2,021	37.7%	7,337	62.8%	11,249	51.5%	19,044	65.1%
Supply of construction materials	998	18.6%	3,509	30.0%	6,571	30.1%	5,292	18.1%
E-waste/recycling	644	12.0%	650	5.6%	1,761	8.1%	4,487	15.4%
Electronic manufacturing services	1,493	27.8%	-	0.0%	1,493	6.8%	-	0.0%
Property investment and development	27	0.5%	63	0.5%	189	0.9%	213	0.7%
Others	182	3.4%	134	1.1%	573	2.6%	209	0.7%
	5,365	100.0%	11,693	100.0%	21,836	100.0%	29,245	100.0%

ii) Cost of sales and gross profits

Cost of sales decreased 36.4% from \$8.6 million (Q3FY2009) to \$5.4 million (Q3FY2010) and by 27.0% from \$24.5 million (9 months ended 31 March 2009) to \$17.9 million (9 months ended 31 March 2010), primarily due to lower trading volume as mentioned in the above revenue segment.

Gross profits decreased \$3.2 million (102.5%) quarter-to-quarter (QoQ) and \$0.8 million (16.7%) for the year-to-date (YoY). However, the Group profit gross margins had overall been increasing as compared to previous 9 months ended 31 March 2009 due mainly to change of product mix that fetch higher gross profit margin in the Consumer electronics products segment; and reversal of stock impairment in the E-waste/recycling segment; but offset with higher operating costs in the Supply of construction material segment.

iii) Other income

Other income increased \$2.8 million (1000.4%) QoQ, mainly due to negative goodwill of approximately \$2.3 million recognised as a result of acquiring DDS and gain of disposal of crane barge of approximately \$0.5 million. Other income increased \$3.8 million (382.0%) YoY, mainly due to waiver of amount due to a minority shareholder of approximately \$1.0 million, in addition to the above-mentioned.

iv) Distribution expenses

Distribution expenses decreased \$1.5 million (54.5%) QoQ, mainly due to lower marketing and after-sales related expenses in the Consumer electronic products segment. Distribution expenses decreased \$0.9 million (13.0%) YoY, mainly due to lower staff costs (\$0.3 million) incurred by the E-waste/recycling segment and lower marketing and after-sales related expenses (\$1.4 million) in the Consumer electronic products segment, in line with the decrease in activities in these two segments. The decrease is offset by higher staff costs (\$0.8 million) across various segments as a result of commencement of new businesses.



Unaudited Financial Statement and Dividend Announcement for the Third Quarter ended 31 March 2010

v) Administration expenses

Administrative expenses increased \$0.7 million (33.8%) QoQ, mainly due to higher depreciation (\$0.2 million) and expenses incurred by DDS during the quarter (\$0.4 million). Administrative expenses increased \$1.6 million (26.0%) YoY, mainly due to higher depreciation (\$0.8 million), insurance (\$0.1 million), staff costs (\$0.2 million) and repair costs (\$0.2 million).

vi) Other expenses

Other expenses increased \$0.1 million (58.4%) QoQ and \$0.7 million (173.7%) YoY, mainly due to impairment of plant and equipment (\$0.1 million) and impairment of trade and other receivables (\$0.3 million) in the E-waste/recycling segment; as well as higher interest expense (\$0.4 million) as a result of higher borrowings.

vii) Share of losses of associates

This represents the Group's share of losses in Centifillon and a Thailand joint venture by one of our subsidiary.

(B) Balance Sheet

Total assets of the Group decreased \$3.6 million from \$70.8 million as at 30 June 2009 (FY2009) to \$67.2 million as at 31 March 2010 (Q3FY2010), mainly due to the following:

i) Property, plant and equipment increased \$2.1 million from \$26.6 million in FY2009 to \$28.7 million in Q3FY2010, mainly due to the following:

- Purchase of office equipments amounting to approximately \$0.3 million;
- Additional assets through acquisition of DDS amounting to approximately \$6.2 million;
- Reclassifying a leasehold building to properties held for sale of approximately \$2.0 million; and
- Depreciation charge of approximately \$2.5 million for the period.

ii) Investment in associates decreased \$1.9 million from \$4.2 million in FY2009 to \$2.3 million in Q3FY2010, mainly due to share of losses in associate and joint venture approximately of \$4.5 million; offset by subscription to the rights issue shares in Centifillon and a new investment in a Thailand joint venture by our subsidiary amounting to \$2.7 million;

iii) Other non-current assets mainly comprised prepayment make for (1) the rights on use of plant and machinery and (2) the rights, interest in and ownership of granite in Indonesia. Non-current assets increased \$4.0 million to \$14.0 million in Q3FY2010, mainly due to additional investment of \$3.5 million offset by utilisation of prepayment for granite and rights of use of plant and machinery of approximately \$0.3 million; included in non assets were intangibles assets pertaining to research and development cost of approximately \$0.8 million through acquisition of DDS.

iv) Inventories increased \$1.3 million from \$3.5 million in FY2009 to \$4.8 million in Q3FY2010, mainly due to stocks acquired through acquisition of DDS;

v) Properties held for sales increased \$1.8 million from \$0.2 million in FY2009 to \$2.1 million in Q3FY2010, mainly due to reclassification of a leasehold building from property, plant and equipment offset by sales of car parks;

vi) Trade and other receivables decreased \$4.6 million from \$7.2 million in FY2009 to \$2.6 million in Q3FY2010, mainly due to the following:

- Lower trade receivables across all segments as a result of lower trading volume; and
- Repayment of loan by Centifillon of \$0.5 million, which in turn used as payments for Centifillon rights issues;

vii) Other current assets decreased \$1.7 million from \$4.2 million in FY2009 to \$2.5 million in Q3FY2010, mainly due to the following:

- Refund of deposits of \$1.5 million pertaining to a potential investment plan which was subsequently withdrawn;
- Decrease in prepayments of \$0.1 million relating to operating expenses; and
- Decrease in other receivable of \$0.2 million, pertaining to reimbursement of cost incurred in a recovery effort for barge accidents from the insurance company;

viii) Decrease in cash and cash equivalents of \$4.5 million (refer to explanation on "Cashflow" below).

Unaudited Financial Statement and Dividend Announcement for the Third Quarter ended 31 March 2010

Total liabilities of the Group decreased \$1.2 million from \$31.0 million in FY2009 to \$29.7 million in Q3FY2010, mainly due to the following:

- i) Trade and other payables decreased \$1.0 million during the period, as a result of :
 - Lower purchases from suppliers, in line with the decrease in business volume; and
 - Decrease in accruals of \$0.2 million mainly as a result of repayment of cost previously accrued for the recovery effort for the barge accidents.
 - ii) Borrowings increased \$0.7 million from \$19.7 million in FY2009 to \$19.0 million in Q3FY2010, as a result of financial liabilities of approximately \$2.9 million through acquisition of DDS, offset by loan repayments made during the period.
- (C) Cash Flow
- Cash and cash equivalents (net of deposits placed with a bank as security) decreased by approximately \$4.5 million from \$14.2 million in FY2009 to \$9.8 million in Q3FY2010, mainly due to funds generated/utilised as follows:
- i) Repayment of bank borrowings and lease liabilities of \$3.8 million;
 - ii) New capital expenditure of \$2.3 million comprised of a crane barge and office equipments;
 - iii) Additional investments of \$3.5 million for the rights, interest in and ownership of granite and machinery;
 - iv) Investments in Centillion and a Thailand joint venture of \$2.2 million;
 - v) Repayment of amount due to minority shareholders of \$1.1 million;
 - vi) Proceeds from issuance of share capital to minority shareholders by a subsidiary of \$1.5 million;
 - vii) Proceeds from issuance of new shares of \$1.2 million;
 - viii) Proceeds from sale of property, plant and equipment of \$2.4 million; and
 - ix) Cash through acquisition of DDS of \$3.3 million.

Use of Right Issue Proceeds

On 13 January, the Company issued 24,000,000 new ordinary shares at \$0.05 per share in the issued and paid-up share capital of the Company pursuant to a Subscription Agreement entered between the Company and the Subscriber ("Jan 10 Private Placement"). Net proceeds of \$1.2 million were raised. Since the completion of the Jan 10 Private Placement until 31 March 2010, the Company has fully utilised the Jan 10 Private Placement for working capital purposes.

Working capital

31 Mar 2010	
Jan 10 Private	
Placement	
\$'000	1,200

Unaudited Financial Statement and Dividend Announcement for the Third Quarter ended 31 March 2010

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.
No forecast or prospect statement was disclosed to shareholders previously.
10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may effect the group in the next reporting period and the next 12 months.
While the Group continued to focus on strengthening its business plans across the various segments, uncertainty in the slow global economic recovery remains challenging for the Group.
On 19 April 2010, Equation Recycling Pte Ltd, a 60% owned subsidiary of the Group, has disposed its leasehold building and recognised a gain on disposal of \$2.8 million and repaid \$3.9 million of its outstanding loans, in line with the intention to scale down its production and operation.
As part of the Group's effort in cost management and streamlining the Group's structure, one of the 51% owned subsidiary, Weekly Marine Services Pte. Ltd. had been put under member voluntary liquidation subsequent to the sale of its core assets; furthermore, the Group is also in the process of restructuring the newly acquired subsidiaries in Malaysia by consolidating the assets and facilities.
Going forward, with the new inclusion of Disa Digital Safety group of companies which provide the Group with new stream of revenues from Electronic Manufacturing Services, LED and Anti-Theft Solution, the Group is optimistic with the business opportunity arising from these new segments.
11. Dividend
(a) Current financial period reported on
No dividend has been declared for the financial period reported.
(b) Corresponding period of the immediately preceding financial year
No dividend was declared for the corresponding period of the immediately preceding financial year.
(c) Date payable
Not applicable.
(d) Books closure date
Not applicable.
12. If no dividend has been declared (recommended), a statement to that effect.
No dividend will be declared/recommended.
13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.
Not applicable



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CORP. LIMITED

(Company Registration No. 197501110N)

Unaudited Financial Statement and Dividend Announcement for the Third Quarter ended 31 March 2010

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.
Not applicable
15. A breakdown of sales as follows:-
Not applicable
16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.
Not applicable
17. Interested Person Transactions for the financial period ended 31 March 2010
There are no discloseable interested person transactions during the financial period.

BY ORDER OF THE BOARD

CHING WENG WAH
Executive Director
14 May 2010

NEGATIVE ASSURANCE CONFIRMATION PURSUANT TO RULE 705(5) OF THE SGX-ST LISTING MANUAL SECTION B: RULES OF CATALIST

We, Chng Weng Wah and Teo Soon Chye, being two directors of Equation Corp Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the period ended 31 March 2010 to be false or misleading in any material respect.

For and on behalf of the Board of Directors

CHNG WENG WAH
Executive Director/Chief Executive Officer

14 May 2010

TEO SOON CHYE
Director