



DISA Limited ("Company" and together with its subsidiaries, the "Group")
(Company Registration No. 197501110N)

Unaudited Financial Statement for the financial period ended 31 Mar 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited, 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.

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PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (1Q, 2Q & 3Q), HALF-YEAR AND FULL YEAR RESULTS

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

1(a)(i) **Income Statement**

	3rd Qtr ended 31 Mar 2019 \$'000	3rd Qtr ended 31 Mar 2018 \$'000	Increase/ (Decrease) %	9 months ended 31 Mar 2019 \$'000	9 months ended 31 Mar 2018 \$'000	Increase/ (Decrease) %
Revenue						
Sale of codes	50	31	61.3	270	95	N.M.
Services rendered	12	24	(50.0)	53	53	0.0
	62	55	12.7	323	148	N.M.
Other income	170	113	50.4	398	202	97.0
Total revenue	232	168	38.1	721	350	N.M.
Cost and expenses						
Cost of services	(14)	(17)	(17.6)	(59)	(60)	(1.7)
Depreciation and amortisation expenses	(410)	(378)	8.5	(1,231)	(1,134)	8.6
Employee benefits expenses	(1,585)	(1,101)	44.0	(4,133)	(4,140)	(0.2)
Legal and professional expenses	(82)	(171)	(52.0)	(212)	(403)	(47.4)
Loss on liquidation of a subsidiary	-	(63)	N.M.	-	(63)	N.M.
Write-off of property, plant and equipment	-	(5)	N.M.	-	(5)	N.M.
Operating lease expenses	(123)	(119)	3.4	(398)	(322)	23.6
Other expenses	(300)	(529)	(43.3)	(903)	(1,518)	(40.5)
Total cost and expenses	(2,514)	(2,383)	5.5	(6,936)	(7,645)	(9.3)
Results from operations activities	(2,282)	(2,215)	3.0	(6,215)	(7,295)	(14.8)
Finance costs	(1)	(290)	(99.7)	(567)	(835)	(32.1)
Loss before taxation	(2,283)	(2,505)	(8.9)	(6,782)	(8,130)	(16.6)
Income tax credit	59	60	(1.7)	178	163	9.2
Loss for the financial period	(2,224)	(2,445)	(9.0)	(6,604)	(7,967)	(17.1)
Attributable to:						
Owners of the Company	(2,253)	(2,426)	(7.1)	(6,632)	(7,961)	(16.7)
Non-controlling interests	29	(19)	N.M.	28	(6)	N.M.
	(2,224)	(2,445)	(9.0)	(6,604)	(7,967)	(17.1)

N.M. - not meaningful

Due to rounding, numbers presented throughout this announcement may not add up precisely to the totals indicated and percentages may not precisely reflect the absolute figures for the same reason.



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Statement of Comprehensive Income

	<u>3rd Qtr ended</u> <u>31 Mar 2019</u>	<u>3rd Qtr ended</u> <u>31 Mar 2018</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>9 months ended</u> <u>31 Mar 2019</u>	<u>9 months ended</u> <u>31 Mar 2018</u>	<u>Increase/</u> <u>(Decrease)</u>
	\$'000	\$'000	%	\$'000	\$'000	%
Loss for the financial period	(2,224)	(2,445)	(9.0)	(6,604)	(7,967)	(17.1)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation differences from foreign subsidiaries	3	88	(96.6)	2	54	(96.3)
Other comprehensive income for the financial period	<u>3</u>	<u>88</u>	<u>(96.6)</u>	<u>2</u>	<u>54</u>	<u>(96.3)</u>
Total comprehensive loss for the financial period	<u>(2,221)</u>	<u>(2,357)</u>	<u>(5.8)</u>	<u>(6,602)</u>	<u>(7,913)</u>	<u>(16.6)</u>
Attributable to:						
Owners of the Company	(2,250)	(2,350)	(4.3)	(6,630)	(7,926)	(16.4)
Non-controlling interests	29	(7)	N.M.	28	13	N.M.
	<u>(2,221)</u>	<u>(2,357)</u>	<u>(5.8)</u>	<u>(6,602)</u>	<u>(7,913)</u>	<u>(16.6)</u>

1(a)(ii) Loss for the financial period is stated after charging/(crediting) the following:

	<u>3rd Qtr ended</u> <u>31 Mar 2019</u>	<u>3rd Qtr ended</u> <u>31 Mar 2018</u>	<u>9 months ended</u> <u>31 Mar 2019</u>	<u>9 months ended</u> <u>31 Mar 2018</u>
	\$'000	\$'000	\$'000	\$'000
Interest expenses	1	290	567	835
Interest income	(51)	(104)	(199)	(182)
Depreciation and amortisation expenses	410	378	1,231	1,134
Adjustment for underprovision of tax in respect of prior years	-	-	-	16
Employee share-based payment expense	402	(135)	530	406
Loss on liquidation of a subsidiary	-	63	-	63
Disclaim of trade payable - net	(81)	-	(81)	-
Currency exchange loss	5	32	9	9

N.M. - not meaningful



DISA Limited ("Company" and together with its subsidiaries, the "Group")
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Unaudited Financial Statement for the financial period ended 31 Mar 2019

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

Statements of Financial Position

	Group		Company	
	31 Mar 2019	30 Jun 2018	31 Mar 2019	30 Jun 2018
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Financial assets, available-for-sale	150	-	-	-
Property, plant and equipment	967	982	513	432
Intangible assets	9,480	10,535	-	-
Subsidiaries	-	-	12,084	12,084
Other non-current assets	120	120	130	24
Total non-current assets	10,717	11,637	12,727	12,540
Current assets				
Trade and other receivables	116	609	-	60
Other current assets	1,134	1,007	142	166
Cash and bank balances	14,198	30,594	9,298	22,625
Financial assets, available-for-sale	-	2,222	-	2,222
Total current assets	15,448	34,432	9,440	25,073
Total assets	26,165	46,069	22,167	37,613
EQUITY AND LIABILITIES				
Equity				
Share capital	58,680	58,680	58,680	58,680
Reserves	2,769	2,237	2,033	1,504
Accumulated losses	(30,435)	(23,803)	(39,317)	(36,398)
Equity attributable to owners of the Company	31,014	37,114	21,396	23,786
Non-controlling interests	(9,771)	(9,800)	-	-
Total equity	21,243	27,314	21,396	23,786
Non-current liabilities				
Financial liabilities	156	84	156	84
Deferred tax liabilities	1,612	1,790	-	-
Total non-current liabilities	1,768	1,874	156	84
Current liabilities				
Trade and other payables	1,777	2,275	83	114
Accruals	649	1,975	503	1,697
Financial liabilities	29	11,932	29	11,932
Provisions and other liabilities	699	699	-	-
Total current liabilities	3,154	16,881	615	13,743
Total liabilities	4,922	18,755	771	13,827
Total equity and liabilities	26,165	46,069	22,167	37,613



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

Amount repayable in one year or less, or on demand

31 Mar 2019 (\$'000)		30 Jun 2018 (\$'000)	
Secured	Unsecured	Secured	Unsecured
29	-	16	11,916

Amount repayable after one year

31 Mar 2019 (\$'000)		30 Jun 2018 (\$'000)	
Secured	Unsecured	Secured	Unsecured
156	-	84	-

Details of collateral

As at 31 March 2019, total borrowings included secured liabilities of \$185,000 (30 June 2018: \$100,000) for the Group. The secured liabilities is secured by the rights to motor vehicles.

The unsecured liabilities as at 30 June 2018 pertained to the redeemable convertible bonds ("**RCB**") of \$12,000,000 issued by the Company. On 27 December 2016, the Company entered into a RCB agreement with Wang Yu Hwei, Tang Wee Loke, Lee Teong Sang and Tsai Yi-Chen, the ("**Investors**"), pursuant to which, the Investors agreed to subscribe for an aggregate subscription amount of \$12,000,000 pursuant to the terms of the RCB agreement. The bonds can be converted into the Company's ordinary shares at any time between 23 December 2017 and 23 December 2018. Shareholders' approval has been obtained on 13 February 2017 in relation to the RCB agreement.

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

Please refer to the Company's circular dated 20 January 2017 for more details on the RCB.

The RCB were fully redeemed on 23 December 2018.



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

1(c)(i) Consolidated Statement of Cash Flows

	3rd Qtr ended 31 Mar 2019 \$'000	3rd Qtr ended 31 Mar 2018 \$'000	9 months ended 31 Mar 2019 \$'000	9 months ended 31 Mar 2018 \$'000
Cash flows from operating activities				
Loss before income tax	(2,283)	(2,505)	(6,782)	(8,130)
Adjustments for:				
- Interest expenses	1	290	567	835
- Interest income	(51)	(104)	(199)	(182)
- Amortisation of intangible assets	351	351	1,053	1,053
- Depreciation of property, plant and equipment	59	-	177	81
- Employee share-based payments expense	402	27	530	406
- Gain on disposal of property, plant and equipment	-	(135)	-	-
- Loss on liquidation of subsidiaries	-	63	-	63
- Write-off of property, plant and equipment	-	5	-	5
- Disclaim of trade payable - net	(81)	-	(81)	-
- Exchange differences	16	23	15	(14)
Operating cash flows before working capital changes	(1,586)	(1,985)	(4,720)	(5,883)
Changes in working capital:				
- Trade and other receivables	54	129	159	182
- Other current assets	(222)	(271)	(127)	(237)
- Trade and other payables	41	4	(236)	(195)
Cash used in operations	(1,713)	(2,123)	(4,924)	(6,133)
Income tax paid	-	-	-	(16)
Net cash used in operating activities	(1,713)	(2,123)	(4,924)	(6,149)
Cash flows from investing activities				
Interest received	51	104	199	182
Purchase of property, plant and equipment	(64)	(3)	(64)	(17)
Investment in financial assets, available-for-sale	(150)	-	(150)	-
Proceeds from redemption of financial assets, available-for-sale	-	-	2,222	-
Proceeds from disposal of property, plant and equipment	-	-	-	1
Net cash (used in)/from investing activities	(163)	101	2,207	166
Cash flows from financing activities				
Interest paid	(23)	(587)	(1,653)	(589)
Deposits placed with bank as security	-	(50)	-	(50)
Repayment of finance lease	(5)	(4)	(13)	(11)
Proceeds from exercise of warrants	-	-	-	18,988
Release of pledged fixed deposits	-	-	-	61
Repayment of convertible bonds	-	-	(12,000)	-
Net cash (used in)/from financing activities	(28)	(641)	(13,666)	18,399
Net (decrease)/increase in cash and cash equivalents	(1,904)	(2,663)	(16,383)	12,416
Effects of exchange rate changes on cash and cash equivalents	(13)	1	(13)	3
Cash and cash equivalents at beginning of the financial period	16,065	35,185	30,544	20,104
Cash and cash equivalents at end of the financial period (Note A)	14,148	32,523	14,148	32,523



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1(c)(ii) **Notes to Consolidated Statement of Cash Flows**

Note A:

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

	9 months ended 31 Mar 2019 \$'000	9 months ended 31 Mar 2018 \$'000
Cash at bank and on hand	1,736	16,523
Short-term bank deposits	12,463	16,050
Cash and bank balances per Group statement of financial position	14,198	32,573
Less: Deposits placed with banks as security	(50)	(50)
Cash and cash equivalents per consolidated statement of cash flows	14,148	32,523

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.**

Statements of Changes in Equity

Group

	Share capital \$'000	Equity component of convertible bonds \$'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
FY 2019									
Balance as at 1 July 2018	58,680	82	(1)	1,261	895	(23,803)	37,114	(9,800)	27,314
Total comprehensive loss									
- Loss for the financial period	-	-	-	-	-	(6,632)	(6,632)	28	(6,604)
Other comprehensive loss for the financial period									
- Foreign currency translation differences from foreign subsidiaries	-	-	2	-	-	-	2	-	2
Total comprehensive income for the financial period	-	-	2	-	-	(6,632)	(6,630)	28	(6,602)
Others									
Employee share-based payment expenses	-	-	-	530	-	-	530	-	530
Transfer on redemption of convertible bonds	-	(82)	-	-	82	-	-	-	-
	-	(82)	-	530	82	-	530	-	530
Balance as at 31 March 2019	58,680	-	1	1,791	977	(30,435)	31,014	(9,771)	21,243



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Group

	Share capital	Equity component of convertible bonds	Foreign currency translation reserve	Share option reserve	Capital reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
FY 2018									
Balance as at 1 July 2017	37,140	82	(44)	873	3,447	(12,879)	28,619	(10,025)	18,594
Total comprehensive income									
- Loss for the financial period	-	-	-	-	-	(7,961)	(7,961)	(6)	(7,967)
Other comprehensive income for the financial period									
- Foreign currency translation differences from foreign subsidiaries	-	-	35	-	-	-	35	19	54
- Realisation of a foreign currency translation on liquidation of a subsidiary	-	-	49	-	-	(49)	-	-	-
Total comprehensive income for the financial period	-	-	84	-	-	(8,010)	(7,926)	13	(7,913)
Transactions with owners, recorded directly in equity									
Contribution by and distributions to owners									
Issue of shares:									
Conversion from warrants to shares	18,988	-	-	-	-	-	18,988	-	18,988
	18,988	-	-	-	-	-	18,988	-	18,988
Others									
Expiry of warrants	33	-	-	-	(33)	-	-	-	-
Employee share-based payment expenses	-	-	-	406	-	-	406	-	406
Deregistration of a subsidiary	-	-	-	-	-	-	-	(106)	(106)
Transfer on conversion from warrants to shares	2,519	-	-	-	(2,519)	-	-	-	-
	2,552	-	-	406	(2,552)	-	406	(106)	300
Balance as at 31 March 2018	58,680	82	40	1,279	895	(20,889)	40,087	(10,118)	29,969



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Company

	Share capital	Equity component of convertible bonds	Share option reserve	Capital reserve	Accumulated losses	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
FY 2019						
Balance as at 1 July 2018	58,680	82	1,261	160	(36,398)	23,785
Total comprehensive loss for the financial period	-	-	-	-	(2,919)	(2,919)
Employee share-based payment expenses	-	-	530	-	-	530
Transfer on redemption of convertible bonds	-	(82)	-	82	-	-
Balance as at 31 March 2019	58,680	-	1,791	242	(39,317)	21,396
FY 2018						
Balance as at 1 July 2017	37,140	82	873	2,711	(14,661)	26,145
Total comprehensive loss for the financial period	-	-	-	1	(2,806)	(2,805)
Conversion of warrants to ordinary shares	18,988	-	-	-	-	18,988
Expiry of warrants	33	-	-	(33)	-	-
Employee share-based payment expenses	-	-	406	-	-	406
Transfer on conversion from warrants to shares	2,519	-	-	(2,519)	-	-
Balance as at 31 March 2018	58,680	82	1,279	160	(17,467)	42,734

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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

There were no changes to the Company's issued and paid up share capital in the three months ended 31 March 2019.

B) Share options - DISA Employee Share Option Scheme 2010 ("ESOS")

As at beginning of the period
Add: Share options granted
Less: Share options forfeited
As at end of the period

	3Q FY2019	3Q FY2018
	755,000,000	293,000,000
	20,000,000	-
	-	(14,000,000)
	<u>775,000,000</u>	<u>279,000,000</u>

C) Convertible bonds

As at 31 March 2019, there were no outstanding convertible bonds of the Company which are convertible at the Investors' option into ordinary shares of the Company pursuant to the term of the RCB agreement (31 March 2018: 1,287,272,728). (refer 1(b)(ii)).

Saved as disclosed, there were no other outstanding convertibles, treasury shares and subsidiary holdings as at 31 March 2019 and 31 March 2018.



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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.

Total number of ordinary issued shares excluding treasury shares of the Company	<u>31 Mar 2019</u>	<u>30 Jun 2018</u>
	10,038,683,403	10,038,683,403

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Company did not hold any treasury shares as of 31 March 2019 and 31 March 2018.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There were no subsidiary holdings as of 31 March 2019 and 31 March 2018.

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

The figures have not been audited or reviewed by our auditors.

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

The figures have not been audited or reviewed by our auditors.

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 year compared with the audited financial statements for the financial year ended 30 June 2018.

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 adopted the new/revised FRSs and Interpretations of FRSs ("INT FRSs") that are effective for accounting period beginning on or before 1 July 2018. The adoption of these new/revised FRSs and INT FRSs did not result in any material change to the Group's accounting policies or any significant impact on the financial statements.

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.

Earnings per ordinary share for the financial period

(i) Based on weighted average number of ordinary shares in issue

(ii) On a fully diluted basis

- Weighted average number of ordinary shares in issue

- Adjusted weighted average number of ordinary shares in issue for diluted earnings per share

Group		Group	
3rd Qtr ended 31 Mar 2019	3rd Qtr ended 31 Mar 2018	9 months ended 31 Mar 2019	9 months ended 31 Mar 2018
(0.02)	(0.02)	(0.07)	(0.09)
(0.02)	(0.02)	(0.07)	(0.09)
10,038,683,403	10,038,683,403	10,038,683,403	9,131,430,355
10,038,683,403	10,038,683,403	10,038,683,403	9,131,430,355

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 2019	As at 30 Jun 2018	As at 31 Mar 2019	As at 30 Jun 2018
0.31	0.37	0.21	0.24

Net asset value per ordinary share (Cents)

The net asset value per ordinary share of the Company and the Group is computed based on 10,038,683,403 (30 June 2018: 10,038,683,403) issued shares (excluding treasury shares) as at 31 March 2019.



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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 (Third Quarter Ended 31 March 2019 ("3Q FY2019") versus Third Quarter Ended 31 March 2018 ("3Q FY2018") and 9 Months Ended 31 March 2019 ("9M FY2019") versus 9 Months Ended 31 March 2018 ("9M FY2018"))

i) Revenue

The Group registered a 12.7% increase in revenue from \$55,000 in 3Q FY2018 to \$62,000 in 3Q FY2019. Revenue from the technology segment grew at a faster rate of 61.3% in the same period, with the sale of codes as the main source of revenue for the Group, representing 80.6% of the Group's revenue in 3Q FY2019. Energy Management Services contributed the remaining revenue with diminishing significance and made up 19.4% of the Group's revenue in 3Q FY2019 as compared to 43.6% in 3Q FY2018.

The Group technology segment registered a record revenue of \$270,000 in 9M FY2019 which was an increase of 184.2% from 9M FY2018. Growth in technology segment is the reason for the 118.2% growth in overall revenue from \$148,000 in 9M FY2018 to \$323,000 in 9M FY2019. Similarly, sale of codes is the main source of revenue representing 83.6% of the total revenue in 9M FY2019. The breakdown of revenue is represented in Table A below:

Table A

	3rd Qtr ended <u>31 Mar 2019</u>		3rd Qtr ended <u>31 Mar 2018</u>		9 months ended <u>31 Mar 2019</u>		9 months ended <u>31 Mar 2018</u>	
	\$'000	% to total revenue	\$'000	% to total revenue	\$'000	% to total revenue	\$'000	% to total revenue
Technology	50	80.6%	31	56.4%	270	83.6%	95	64.2%
Energy Management Services	12	19.4%	24	43.6%	53	16.4%	53	35.8%
	62	100.0%	55	100.0%	323	100.0%	148	100.0%

ii) Other income

Other income increased by \$57,000 or 50.4% from \$113,000 in 3Q FY2018 to \$170,000 in 3Q FY2019. This was mainly attributable to (i) trade payable (net) of \$81,000 being disclaimed; and (ii) rental income from leasing of excess office spaces, partially offset by a decrease in interest income earned from fixed deposits during the quarter as the Group utilised the fixed deposits to redeem the RCB on 23 December 2018.

On a year-on-year ("YoY") basis, other income increased by \$196,000 or 97.0% from \$202,000 in 9M FY2018 to \$398,000 in 9M FY2019. The increase was driven by the same factors as explained above under (i) and (ii) as well as due to higher amount of interest income earned from fixed deposits over the nine (9) months' period.

iii) Cost and expenses

Total cost and expenses for 3Q FY2019 amounted to \$2,514,000 which was 5.5% higher compared to 3Q FY2018. The Group had maintained the same cost structure as the second quarter ended 31 December 2018 ("**2Q FY2019**"). The decrease in legal and professional expenses by 52.0% was due to fewer engagements for the services of external professional firms for public relations and business consultation services, as well as refund for termination of a legal engagement. There was a decrease in other expenses by 43.3% due to lower travelling and recruitment expenses. Employee benefits expenses increased 44.0% from \$1,101,000 in 3Q FY2018 to \$1,585,000 in 3Q FY2019 as a result of the net increase in share options granted after 3Q FY2018.

On YoY basis, total cost and expenses for 9M FY2019 was \$6,936,000 and this was 9.3% lower than 9M FY2018. The Group's other expenses reduced by 40.5% and this was due to decreased marketing, upkeep of computer, travelling, call centre and recruitment expenses. The legal and professional fees decreased by 47.4% due to fewer engagements of external professional firms for public relations and business consultation services, as well as refund for termination of a legal engagement. Employee benefits expenses and depreciation and amortisation expenses remain largely the same for both periods under review. Operating lease expenses were higher in 9M FY2019 by 23.6% compared to 9M FY2018 as a result of the increase in the scale of the Group's operations.

With the repayment of RCB on 23 December 2018, the Group has minimum finance liabilities and incurred \$1,000 in 3Q FY2019 for finance leases. Redemption of RCB on 23 December 2018 resulted in a reduction of finance costs by \$268,000 from \$835,000 in 9M FY2018 to \$567,000 in 9M FY2019.

Due to the reasons stated above, the net loss attributable to shareholders in 3Q FY2019 and 9M FY2019 amounted to approximately \$2,253,000 and \$6,632,000 respectively.



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(B) Statements of Financial Position

Total assets of the Group decreased by \$19,904,000 or 43.2% from \$46,069,000 as at 30 June 2018 to \$26,165,000 as at 31 March 2019, and were mainly due to the following:

- i) Redemption of the Group's financial assets, available-for-sale in redeemable preference shares of \$2,222,000 in 1Q FY2019.
- ii) Decrease in intangible assets of \$1,055,000 was mainly due to amortisation charges during the financial period.
- iii) An investment of \$150,000 in SCash Technologies Pte Ltd ("SCash") during 3Q FY2019.
- iv) A decrease of \$493,000 in trade and other receivables was mainly due to receipt of payment from the Energy Management Services segment.
- v) Decrease in cash and balances of \$16,396,000 over the financial period. Refer to explanation in "8(C) Cash Flows" below.

Total liabilities of the Group decreased by \$13,833,000 from \$18,755,000 as at 30 June 2018 to \$4,922,000 as at 31 March 2019, and were mainly due to the following:

- i) Redemption of RCB amounting to \$12 million in December 2018 together with the payment of accrued interests from the RCB was the main reason for the reduction in financial liabilities and accruals.
- ii) Deferred tax liabilities decreased by \$178,000 as compared to 30 June 2018 and this was mainly due to reduction in intangible assets as a result of amortisation.
- iii) Lower other expenses and a reduction in outstanding balance as at 31 March 2019 compared to 30 June 2018 were the main reasons for the decrease of \$497,000 in trade and other payables.

(C) Cash Flows

i) 3Q FY2019

Net cash used in from operating activities for 3Q FY2019 was \$1,713,000. This was mainly due to operating cash outflows before working capital changes of \$1,586,000 which was mainly due to the loss before income tax for the financial period and adjusted for net working capital outflow of \$127,000. The net working capital outflow was due to an increase in other current assets of \$222,000, offset by a decrease in trade and other receivables of \$54,000 and an increase in trade and other payables of \$41,000.

Net cash used in investing activities of \$163,000 was mainly due to purchase of property, plant and equipment and investment in financial assets of \$64,000 and \$150,000 respectively.

Net cash used in financing activities for 3Q FY2019 amounted to \$28,000 and they were for payment of interest and repayment of finance lease.

Due to the reasons stated above, the Group recorded a net decrease in cash and cash equivalents of \$1,904,000 in 3Q FY2019.

The Group ended 3Q FY2019 with minimum financial obligation and a cash and cash equivalents of \$14,148,000, which includes \$50,000 in pledged deposits.

ii) 9M FY2019

Net cash used in operating activities for 9M FY2019 was \$4,924,000. This was mainly due to operating cash outflows before working capital changes of \$4,720,000 which was mainly due to the loss before income tax for the financial period and adjusted for net working capital outflow of \$204,000. The net working capital outflow was due to a decrease in trade and other payable of \$236,000 and an increase in other current assets of \$127,000, partially offset by a decrease in trade and other receivables of \$159,000.

Receipt of proceeds from the redemption of redeemable preference shares and interest income earned resulted in \$2,421,000 cash inflow from investing activities before a spending of \$214,000 in financial assets and property, plant and equipment.

Net cash used in financing activities for 9M FY2019 amounted to \$13,666,000 which was mainly due to repayment of RCB amounting to \$12 million, interest payment (including interest from RCB) of \$1,653,000, and repayment of finance lease of \$13,000.

Due to the reasons stated above, the Group recorded a net decrease in cash and cash equivalents of \$16,383,000 in 9M FY2019.

The Group ended 9M FY2019 with a minimum financial obligation and a cash and cash equivalents of \$14,148,000 which includes \$50,000 in pledged deposits.



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(D) Use of Proceeds

i) Warrants

The Company raised an aggregate of \$25.5 million from the exercise of warrant pursuant to the issue of warrants in 2015. The rights to subscribe for new ordinary shares in the capital of the Company by way of exercise of the warrants had expired on 2 August 2017. The status of the proceeds is as follow:

	Warrants Exercise \$'000
Net proceeds raised	25,497
Less: Utilisations	
- Business expansion ^(Note A)	(10,144)
- Working capital expenditures ^(Note B)	(9,249)
- Repayment of loan ^(Note C)	(1,173)
Balance as at 31 March 2019	<u>4,931</u>

Note A: Additional investment in Disa Digital Safety Pte. Ltd.

Note B: Working capital expenditures consisted of non-trade payments, purchase of fixed assets, redeemable convertible bonds' interest, staff salaries and related expenses.

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

ii) Convertible bonds

On 27 December 2016, the Company entered into a RCB agreement with the Investors pursuant to which, the Investors agreed to subscribe for an aggregate subscription amount of \$12 million pursuant to the terms of the RCB agreement. As at 31 March 2019, RCB were fully repaid with interests.

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. The Company released the number of codes sold for 3Q FY2019 on 2 April 2019.

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 affect the group in the next reporting period and the next 12 months.

The Group sold 549,469 codes in 3Q FY2019 which is an increase of 16.5% from 471,826 codes sold in 3Q FY2018. The year-to-date number of codes sold for 9 months FY2019 has surpassed those of the full year 2018 by 22.4%. The technology segment's revenue for 9M FY2019 has surpassed that of the full year 2018 by 59.8%.

China, being commonly known as factory-of-the-world celebrated this year's Chinese New Year in February. While the official number of public holidays granted was 7 days, most factories actually shut down for an extended period of time. This had an impact on number of code sold in 3Q FY2019 which resulted in 675,680 lesser codes sold compared to 2Q FY2019. A seasonal low 3Q FY2019 has not disrupted the Group's advancement with our partner's suppliers' application of our 3S (Single Scan Serialisation) and PoSA (Point-of-Sale Activation) solutions in their products. Barring unforeseen and adverse global trade circumstances and a drop in United States consumer spending confidence, we expect the momentum to continue.

The Group is focused on our current growth strategy of gaining retailers as our partners together with their suppliers (which are essentially our customers) as well as with their products in United States adopting our asset protection technologies.

Selling more codes allows us to gain insight into many possibilities of what our unique asset protection technologies platform can potentially offer. One such potential has crystalized into a viable business with an integrated mobile phone warranty programme being launched to protect phone users against cyber theft using our 3S technology. We are pleased to partner M1 for our initial launch to gain a solid foothold in Singapore. During the quarter, we have sealed a strategic partnership with SCash to leverage on the networks that we have built over the years in United States. As part of the partnership, we have invested \$150,000 for a minority stake in SCash. SCash is a fast-growing start-up that helps merchants to transform their offline businesses to gain full e-commerce capabilities with SCash app, turning mobile devices into mobile point-of-sale (POS) allowing access from more than 630 million Alipay active users. We are excited about our future, the paths we are taking and continue to focus on developing our asset protection technologies into an ecosystem platform whilst exploring new technologies to achieve long term growth.



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11. **Dividend**
(a) Current financial period reported on.
Any dividend declared for the current financial period reported on?
None.
- (b) Corresponding period of the immediately preceding financial year.**
Any dividend declared for the corresponding period of the immediately preceding financial year?
None.
- (c) Date payable**
Not applicable.
- (d) Books closure date**
Not applicable.
12. **If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.**
No dividend has been recommended for 3Q FY2019 in view that the Company was loss making and the Board will re-assess the Company's dividend policy as part of its capital allocation decision when it is profitable.
13. **If the group has obtained a general mandate from shareholder for interested person transactions ("IPT"), the aggregate value of such transactions are required under Rule 920 (1)(a)(ii) of the Catalist Rules. If no IPT mandate has been obtained a statement to that effect.**
The Company has not obtained a general mandate from shareholders for IPTs.
14. **Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1) of the Catalist Rules.**
The Company has procured undertakings from all its directors and executive officers in the format set out in Appendix 7H under Rule 720 (1) of the Catalist Rules.

BY ORDER OF THE BOARD

CHNG WENG WAH
Managing Director/Chief Executive Officer

10 May 2019

NEGATIVE ASSURANCE CONFIRMATION PURSUANT TO RULE 705(5) OF THE CATALIST RULES

The Board of Directors of the Company confirms that, to the best of its knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the accompany unaudited interim financial results for the nine months ended 31 March 2019 to be false or misleading in any material aspect.

For and on behalf of the Board of Directors

CHNG WENG WAH
Managing Director/Chief Executive Officer

10 May 2019

LAU KAY HENG
Non-Executive and Independent Director