



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

Unaudited Financial Statements for the financial period ended 31 December 2019

In view of the disclaimer of opinion on the audited financial statements for the financial year ended 30 June 2019 by the Company's independent auditor, Crowe Horwath First Trust LLP, the quarterly financial results announcement is mandatory, pursuant to the SGX's requirements, as required under Rule 705(2C) of the Catalyst Rules.

This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited ("**Sponsor**"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**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

	2nd Qtr ended <u>31 Dec 2019</u>	2nd Qtr ended <u>31 Dec 2018</u>	Increase/ <u>(Decrease)</u>	6 months ended <u>31 Dec 2019</u>	6 months ended <u>31 Dec 2018</u>	Increase/ <u>(Decrease)</u>
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue						
Sales of codes	1,654	133	N.M.	1,861	220	N.M.
Services rendered	480	29	N.M.	490	41	N.M.
	<u>2,134</u>	<u>162</u>	N.M.	<u>2,351</u>	<u>261</u>	N.M.
Other income	61	139	(56.1)	156	228	(31.6)
Total revenue	<u>2,195</u>	<u>301</u>	N.M.	<u>2,507</u>	<u>489</u>	N.M.
Cost and expenses						
Cost of goods and services rendered	(1,960)	(30)	N.M.	(1,984)	(45)	N.M.
Depreciation and amortisation expenses	(94)	(408)	(77.0)	(170)	(821)	(79.3)
Employee benefits expenses	(954)	(1,206)	(20.9)	(2,205)	(2,548)	(13.5)
Legal and professional expenses	(67)	(59)	13.6	(114)	(130)	(12.3)
Loss on disposal of a subsidiary	(7,516)	-	N.M.	(7,516)	-	N.M.
Operating lease expenses	(117)	(153)	(23.5)	(241)	(275)	(12.4)
Other expenses	(305)	(322)	(5.3)	(492)	(603)	(18.4)
Total cost and expenses	<u>(11,013)</u>	<u>(2,178)</u>	N.M.	<u>(12,722)</u>	<u>(4,422)</u>	N.M.
Loss before interest and tax	<u>(8,818)</u>	<u>(1,877)</u>	N.M.	<u>(10,215)</u>	<u>(3,933)</u>	N.M.
Finance costs	(2)	(273)	(99.3)	(4)	(566)	(99.3)
Loss before tax	<u>(8,820)</u>	<u>(2,150)</u>	N.M.	<u>(10,219)</u>	<u>(4,499)</u>	N.M.
Income tax credit	-	60	N.M.	-	119	N.M.
Loss for the financial period	<u>(8,820)</u>	<u>(2,090)</u>	N.M.	<u>(10,219)</u>	<u>(4,380)</u>	N.M.
Attributable to:						
Owners of the Company	(8,929)	(2,099)	N.M.	(10,295)	(4,379)	N.M.
Non-controlling interests	109	9	N.M.	76	(1)	N.M.
	<u>(8,820)</u>	<u>(2,090)</u>	N.M.	<u>(10,219)</u>	<u>(4,380)</u>	N.M.

N.M. - not meaningful



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Statement of Comprehensive Income

	Note	2nd Qtr ended 31 Dec 2019 \$'000	2nd Qtr ended 31 Dec 2018 \$'000	Increase/ (Decrease) %	6 months ended 31 Dec 2019 \$'000	6 months ended 31 Dec 2018 \$'000	Increase/ (Decrease) %
Loss for the financial period	(1)	(8,820)	(2,090)	N.M.	(10,219)	(4,380)	N.M.
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
- Foreign currency translation differences from consolidation of foreign subsidiaries		(10)	-	N.M.	(14)	(1)	N.M.
Other comprehensive income for the financial period		(10)	-	N.M.	(14)	(1)	N.M.
Total comprehensive loss for the financial period		(8,830)	(2,090)	N.M.	(10,233)	(4,381)	N.M.
Attributable to:							
Owners of the Company		(8,937)	(2,100)	N.M.	(10,307)	(4,380)	N.M.
Non-controlling interests		107	10	N.M.	74	(1)	N.M.
		(8,830)	(2,090)	N.M.	(10,233)	(4,381)	N.M.

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

	2nd Qtr ended 31 Dec 2019 \$'000	2nd Qtr ended 31 Dec 2018 \$'000	6 months ended 31 Dec 2019 \$'000	6 months ended 31 Dec 2018 \$'000
Interest expenses	2	273	4	566
Interest income	(41)	(79)	(98)	(148)
Depreciation and amortisation expenses	94	408	170	821
Employee share-based payment expense	63	(11)	403	128
Loss on disposal of a subsidiary	7,516	-	7,516	-
Foreign exchange (gain)/ loss, net	1	8	(13)	3

Notes:

(1) Loss for 2Q FY2020, excluding loss on disposal of subsidiary of \$7,516,000 is \$1,304,000 which is an improvement of 37.6% compared to 2Q FY2019. Loss for 1H FY2020, excluding loss on disposal of subsidiary of \$7,516,000 is \$2,703,000 which is an improvement of 38.3% compared to 1H FY2019.

N.M. - not meaningful



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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	
	As at 31 Dec 2019 \$'000	As at 30 Jun 2019 \$'000	As at 31 Dec 2019 \$'000	As at 30 Jun 2019 \$'000
ASSETS				
Non-current assets				
Property, plant and equipment	765	900	407	478
Intangible assets	343	-	-	-
Other non-current assets	120	120	2,202	111
Financial assets, at FVOCI (equity)*	150	-	-	-
	<u>1,378</u>	<u>1,020</u>	<u>2,609</u>	<u>589</u>
Current assets				
Inventories	1,260	-	-	-
Trade and other receivables	1,127	97	-	-
Other current assets	1,043	590	102	175
Cash and bank balances	8,415	13,025	5,358	8,709
	<u>11,845</u>	<u>13,712</u>	<u>5,460</u>	<u>8,884</u>
TOTAL ASSETS	<u>13,223</u>	<u>14,732</u>	<u>8,069</u>	<u>9,473</u>
LIABILITIES				
Current liabilities				
Borrowings	30	29	30	29
Trade and other payables	1,324	1,232	95	124
Accruals	498	655	346	512
Provisions and other liabilities	-	534	-	-
	<u>1,852</u>	<u>2,450</u>	<u>471</u>	<u>665</u>
Non-current liabilities				
Borrowings	134	149	134	149
	<u>134</u>	<u>149</u>	<u>134</u>	<u>149</u>
TOTAL LIABILITIES	<u>1,986</u>	<u>2,599</u>	<u>605</u>	<u>814</u>
NET ASSETS	<u>11,237</u>	<u>12,133</u>	<u>7,464</u>	<u>8,659</u>
EQUITY				
Share capital	58,680	58,680	58,680	58,680
Reserves	4,173	4,516	4,174	3,771
Accumulated losses	(51,699)	(41,404)	(55,390)	(53,792)
Equity attributable to owners of the Company	<u>11,154</u>	<u>21,792</u>	<u>7,464</u>	<u>8,659</u>
Non-controlling interests	83	(9,659)	-	-
TOTAL EQUITY	<u>11,237</u>	<u>12,133</u>	<u>7,464</u>	<u>8,659</u>

* FVOCI - Fair Value through Other Comprehensive Income



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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 December 2019 (\$'000)		30 June 2019 (\$'000)	
Secured	Unsecured	Secured	Unsecured
30	-	29	-

Amount repayable after one year

31 December 2019 (\$'000)		30 June 2019 (\$'000)	
Secured	Unsecured	Secured	Unsecured
134	-	149	-

Details of collateral

As at 31 December 2019, total borrowings included secured liabilities of \$164,000 (30 June 2019: \$178,000) for the Group. The secured liabilities are secured by the rights to motor vehicles.



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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**

	2nd Qtr ended 31 Dec 2019 \$'000	2nd Qtr ended 31 Dec 2018 \$'000	6 months ended 31 Dec 2019 \$'000	6 months ended 31 Dec 2018 \$'000
Cash flows from operating activities				
Loss before tax	(8,820)	(2,150)	(10,219)	(4,499)
Adjustments:				
- Interest expenses	2	273	4	566
- Interest income	(41)	(79)	(98)	(148)
- Amortisation of intangible assets	27	351	37	702
- Depreciation of property, plant and equipment	67	57	133	119
- Employee share-based payments expense	63	(10)	403	128
- Loss on liquidation of a subsidiary	1	-	1	-
- Loss on disposal of a subsidiary	7,516	-	7,516	-
- Exchange differences	29	4	(47)	(1)
Operating loss before working capital changes	(1,156)	(1,554)	(2,270)	(3,133)
- Inventories	(1,260)	-	(1,260)	-
- Trade and other receivables	(1,010)	1	(1,029)	105
- Other current assets	(632)	48	(679)	95
- Trade and other payables	908	(211)	915	(277)
Cash used in operations	(3,150)	(1,716)	(4,323)	(3,210)
Income tax paid	-	-	-	-
Net cash used in operating activities	(3,150)	(1,716)	(4,323)	(3,210)
Cash flows from investing activities				
Interest received	41	79	98	148
Additions to intangible assets	(175)	-	(380)	-
Proceeds from redemption of financial assets, at FVPL*	-	-	-	2,222
Proceeds from disposal of property, plant and equipment	1	-	1	-
Net cash (used in)/from investing activities	(133)	79	(281)	2,370
Cash flows from financing activities				
Interest paid	(2)	(1,396)	(4)	(1,630)
Additional fixed deposits pledged	(3,000)	-	(3,000)	-
Repayment of finance lease	(7)	(4)	(14)	(8)
Repayment of convertible bonds	-	(12,000)	-	(12,000)
Net cash used in financing activities	(3,009)	(13,400)	(3,018)	(13,638)
Net (decrease)/increase in cash and cash equivalents	(6,292)	(15,037)	(7,622)	(14,478)
Cash and cash equivalents at beginning of the financial period	11,715	31,103	12,975	30,544
Effects of exchange rate changes on cash and cash equivalents	(58)	(1)	12	(1)
Cash and cash equivalents at end of the financial period (Note A)	5,365	16,065	5,365	16,065

* FVPL - Fair Value through Profit or Loss



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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:

	6 months ended 31 Dec 2019 \$'000	6 months ended 31 Dec 2018 \$'000
Cash at banks and on hand	4,090	4,365
Short-term bank deposits	4,325	11,750
Cash and bank balances per Group statement of financial position	8,415	16,115
Less: Deposits placed with banks as security	(3,050)	(50)
Cash and cash equivalents as presented in consolidated statement of cash flows	5,365	16,065

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 2020									
Balance as at 1 July 2019	58,680	-	9	3,530	977	(41,404)	21,792	(9,659)	12,133
Loss for the financial period	-	-	-	-	-	(10,295)	(10,295)	76	(10,219)
Other comprehensive income									
- Foreign currency translation differences from foreign subsidiaries	-	-	(11)	-	-	-	(11)	(3)	(14)
Other comprehensive loss for the financial period	-	-	(11)	-	-	-	(11)	(3)	(14)
Total comprehensive loss for the financial period	-	-	(11)	-	-	(10,295)	(10,306)	73	(10,233)
Transactions with owners, recorded directly in equity									
Employee share-based payment expenses	-	-	-	403	-	-	403	-	403
Total transactions with owners, recorded directly in equity	-	-	-	403	-	-	403	-	403
Changes in ownership interests in subsidiaries									
Disposal of a subsidiary	-	-	-	-	(735)	-	(735)	9,686	8,951
Liquidation of a subsidiary	-	-	-	-	-	-	-	(17)	(17)
Total transactions with owners, recorded directly in equity	-	-	-	-	(735)	-	(735)	9,669	8,934
Balance as at 31 December 2019	58,680	-	(2)	3,933	242	(51,699)	11,154	83	11,237



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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	9	1,830	895	(24,442)	37,054	(9,800)	27,254
Loss for the financial period	-	-	-	-	-	(4,379)	(4,379)	(1)	(4,380)
Other comprehensive income									
- Foreign currency translation differences from foreign subsidiaries	-	-	(1)	-	-	-	(1)	-	(1)
Other comprehensive loss for the financial period	-	-	(1)	-	-	-	(1)	-	(1)
Total comprehensive loss for the financial period	-	-	(1)	-	-	(4,379)	(4,380)	(1)	(4,381)
Transactions with owners, recorded directly in equity									
Employee share-based payment expenses	-	-	-	128	-	-	128	-	128
Transfer on redemption of convertible bonds	-	(82)	-	-	82	-	-	-	-
Total transactions with owners, recorded directly in equity	-	(82)	-	128	82	-	128	-	128
Balance as at 31 December 2018	58,680	-	8	1,958	977	(28,821)	32,802	(9,801)	23,001

Company

	Share capital \$'000	Equity component of convertible bonds \$'000	Share option reserve \$'000	Capital reserve \$'000	Accumulated losses \$'000	Total equity \$'000
FY 2020						
Balance as at 1 July 2019	58,680	-	3,530	241	(53,792)	8,659
Loss for the financial period	-	-	-	-	(1,598)	(1,598)
Total comprehensive loss for the financial period	-	-	-	-	(1,598)	(1,598)
Transactions with owners, recorded directly in equity						
Employee share-based payment expenses	-	-	403	-	-	403
Total transactions with owners, recorded directly in equity	-	-	403	-	-	403
Balance as at 31 December 2019	58,680	-	3,933	241	(55,390)	7,464
FY 2019						
Balance as at 1 July 2018	58,680	82	1,830	159	(37,025)	23,726
Loss for the financial period	-	-	-	-	(1,835)	(1,835)
Total comprehensive loss for the financial period	-	-	-	-	(1,835)	(1,835)
Transactions with owners, recorded directly in equity						
Employee share-based payment expenses	-	-	128	-	-	128
Transfer on redemption of convertible bonds	-	(82)	-	82	-	-
Total transactions with owners, recorded directly in equity	-	(82)	128	82	-	128
Balance as at 31 December 2018	58,680	-	1,958	241	(38,860)	22,019



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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 during the three months ended 31 December 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

<u>2Q FY2020</u>	<u>2Q FY2019</u>
731,500,000	312,000,000
740,000,000	526,500,000
(55,500,000)	(83,000,000)
<u>1,416,000,000</u>	<u>755,500,000</u>

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

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 Dec 2019</u>	<u>30 Jun 2019</u>
<u>10,038,683,403</u>	<u>10,038,683,403</u>

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 does not have any treasury shares as at 31 December 2019 and 31 December 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.

The Company does not have any subsidiary holdings as at 31 December 2019 and 31 December 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 2019.



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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 Singapore Financial Reporting Standards (International) SFRS (I) that are effective for annual periods beginning on or before 1 July 2019 . The adoption of these new/revised SFRS(I) did not result in any 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 (cents per share)

(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	
2nd Qtr ended 31 Dec 2019	2nd Qtr ended 31 Dec 2018	6 months ended 31 Dec 2019	6 months ended 31 Dec 2018
(0.09)	(0.02)	(0.10)	(0.04)
(0.09)	(0.02)	(0.10)	(0.04)
10,038,683,403	10,038,683,403	10,038,683,403	10,038,683,403
10,038,683,403	10,038,683,403	10,038,683,403	10,039,260,326

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.

Net asset value per ordinary share (Cents)

Group		Company	
As at 31 Dec 2019	As at 30 Jun 2019	As at 31 Dec 2019	As at 30 Jun 2019
0.11	0.22	0.07	0.09

The net asset value per ordinary share attributable to owners of the Company is computed based on 10,038,683,403 issued shares (excluding treasury shares) as at 31 December 2019 and 30 June 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 (Second Quarter Ended 31 December 2019 ("2Q FY2020") versus Second Quarter Ended 31 December 2018 ("2Q FY2019") and Half Year Ended 31 December 2019 ("1H FY2020") versus Half Year Ended 31 December 2018 ("1H FY2019"))

i) Revenue

The Group is predominately focusing on its digital security business. Our Point-Of-Sale (PoSa) asset protection solution has been implemented in all the stores of a major retailer throughout US since 2017. The solution entails that the product which our partner sells is embedded with our code. Upon purchase, the code is input into the product to unlock it and this code is stored in a memory sector of the product.

The Group has a technical design centre supporting factories globally in embedding the codes into the product. In order to minimise embedding of wrong codes during production, most factories require the Group to supply pre-coded memory integrated circuits ("ICs"), hence the Group's entry into the electronic component supply chain. To further augment the supply chain service, the Group also helps to design the products and select ICs suitable for the solutions and knit them to the factories together with the pre-coded memory ICs. The Group's technology business segment began selling codes to the electronics supply chain in 2Q FY2020.

Unlike technology (retail), technology (supply chain) requires additional working capital. The Group will discuss this further under the commentary for statements of financial position.

Hereby, technology (retail) refers to the Group's focus on selling codes to the retail customers whereas technology (supply chain) refers to the Group's focus on selling codes to electronics supply chain customers.

The technology business segment revenue increased by \$1,521,000 or more than 11-fold from \$133,000 in 2Q FY2019 to \$1,654,000 in 2Q FY2020. Both retail and supply chain contributed to the increase.

The Group achieved similar high percentage growth on year-to-date ("YoY") comparison. The Group saw a 745.9% increase in the technology business segment over the same period. The growth was mainly due to the expansion into the technology (supply chain).

Table A

	2nd Qtr ended	% to	2nd Qtr ended	% to	6 months ended	% to	6 months ended	% to
	31 Dec 2019	total revenue	31 Dec 2018	total revenue	31 Dec 2019	total revenue	31 Dec 2018	total revenue
	\$'000		\$'000		\$'000		\$'000	
Technology	1,654	77.5%	133	82.1%	1,861	79.2%	220	84.3%
Energy Management Services	480	22.5%	29	17.9%	490	20.8%	41	15.7%
	2,134	100.0%	162	100.0%	2,351	100.0%	261	100.0%

ii) Other income

Other income decreased by \$78,000 or 56.1% from \$139,000 in 2Q FY2019 to \$61,000 in 2Q FY2020. This was mainly attributable to a decrease in fixed deposits interest income as the Group placed less cash in fixed deposits compared to the previous quarter. There was an absence of an aggregate of \$31,000 gain from project completion of energy management services business segment and grants from tax authorities in the current period.

On YoY basis, other income decreased by \$72,000 or 31.6% from \$228,000 in 1H FY2019 to \$156,000 in 1HFY2020. The decrease was due to the same factors as explained above.

iii) Cost and expenses

Total cost and expenses for 2Q FY2020 amounted to \$11,013,000 which was 405.6% higher compared to 2Q FY2019. Excluding the \$7,516,000 loss from the disposal of Equation Resources Pte. Ltd., the percentage increase was 60.6%. The new cost of goods expense arose from the technology (supply chain) segment and the increase in cost of goods and services rendered from technology and energy management services were in line with the increase in revenue. Depreciation and amortisation expenses decreased by \$314,000 or 77.0% from \$408,000 in 2Q FY2019 to \$94,000 in 2Q FY2020 mainly due to lesser amortisation of intangible assets for this quarter. Employee benefits expenses decreased by \$252,000 or 20.9% from \$1,206,000 in 2Q FY2019 to \$954,000 in 2Q FY2020 and operating lease expenses decreased by \$36,000 or 23.5% from \$153,000 in 2Q FY2019 to \$117,000 in 2Q FY2020 as the Group continued to rationalise and contain the operating costs.

Total cost and expenses for 1H FY2020 amounted to \$12,722,000 which was 187.7% higher compared to 1H FY2019. Excluding the \$7,516,000 loss from the disposal of Equation Resources Pte. Ltd., the percentage increase was 17.7%. The new cost of goods expense arose from the technology (supply chain) segment and the increase in cost of goods and services rendered from technology and energy management services were in line with the increase in revenue. Depreciation and amortisation expenses decreased by \$651,000 or 79.3% from \$821,000 in 1H FY2019 to \$170,000 in 1H FY2020 mainly due to lesser amortisation of intangible assets for this quarter. As a result of continuous efforts to rationalise and contain operating costs, operating leases expenses decreased by \$34,000 or 12.4% from \$275,000 in 1H FY2019 to \$241,000 in 1H FY2020, other expenses decreased by \$111,000 or 18.4% from \$603,000 in 1H FY2019 to \$492,000 in 1H FY2020 and employee benefits expenses decreased by \$343,000 or 13.5% from \$2,548,000 in 1H FY2019 to \$2,205,000 in 1H FY2020 despite an increase in share-based expenses of \$275,000 during the same period.



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With the repayment of RCB on 23 December 2018, the Group has minimum finance liabilities, and incurred \$2,000 and \$4,000 in 2Q FY2020 and 1H FY2020 for finance leases.

There was no income tax credit in 2Q FY2020 and 1H FY2020 due to the full reversal of deferred tax liabilities as a result of the impairment of intangible assets in FY2019.

Due to the reasons stated above, the net loss attributable to shareholders in 2Q FY2020 and 1H FY2020 was \$8,929,000 and \$10,295,000 respectively.

(B) Statements of Financial Position

Total assets of the Group decreased by \$1,509,000 or 10.2% from \$14,732,000 as at 30 June 2019 to \$13,223,000 as at 31 December 2019, and were mainly due to the following:

- i) Decrease in property, plant and equipment of \$135,000 due to depreciation charges in the first half of the financial year.
- ii) Decrease in cash and bank balances of \$4,610,000 over the financial period. Refer to explanation in "8(C) Cash Flows" below.

The decrease in property, plant and equipment and cash and bank balances were partially offset by (i) a net addition in intangible assets of \$343,000 as a result of the capitalisation of development cost for the enhancement of the Group's core technology (ii) the transfer of \$150,000 investment in SCash Technologies Pte Ltd ("**SCash**") from deposit to financial assets at FVOCI (equity) during the financial period (iii) additional working capital outlay for technology (supply chain) segment resulted in an increase of \$2,743,000 on inventories, trade and other receivables and other current assets.

Total liabilities of the Group decreased by \$613,000 from \$2,599,000 as at 30 June 2019 to \$1,986,000 as at 31 December 2019, mainly due to the following:

- i) Reduction of \$534,000 in provisions and other liabilities was due to the disposal of Equation Resources Pte. Ltd..
- ii) Reduction in trade and other payables and accruals was mainly due to the disposal of Equation Resources Pte. Ltd., partially offset by an increase in trade and other payables due to the working capital requirement of technology (supply chain) segment.

(C) Cash Flows

i) 2Q FY2020

Net cash used in operating activities amounted to \$3,150,000 in 2Q FY2020. Net operating cash outflow before working capital changes of \$1,156,000 was mainly due to the loss before income tax for the financial period before adjusting for net working capital outflow of \$1,994,000. The net working capital outflow was mainly due to an increase in trade and other receivables and other current assets of \$1,010,000 and \$632,000 respectively and inventories amounting to \$1,260,000, partially offset by an increase in trade and other payables of \$908,000.

Net cash used in investing activities of \$133,000 in 2Q FY2020 was mainly due to an addition to intangible assets of \$175,000, but partially offset by receipt of \$41,000 interest.

Net cash used in financing activities for 2Q FY2020 amounted to \$3,009,000 and was mainly due to an increase in pledged fixed deposit of \$3,000,000.

Due to the reasons stated above, the Group recorded a net decrease in cash and cash equivalents of \$6,292,000 in 2Q FY2020.

The Group ended 2Q FY2020 with minimum financial obligation and cash and cash equivalents of \$8,415,000, which includes \$3,050,000 in pledged deposits.

ii) 1H FY2020

Net cash used in operating activities amounted to \$4,323,000 in 1H FY2020. Net operating cash outflow before working capital changes of \$2,270,000 was mainly due to the loss before income tax for the financial period before adjusting for net working capital outflow of \$2,053,000. The net working capital outflow was mainly due to an increase in trade and other receivables and other current assets of \$1,029,000 and \$679,000 respectively and inventories amounting to \$1,260,000, partially offset by an increase in trade and other payables of \$915,000.

Net cash used in investing activities of \$281,000 was mainly due to an addition to intangible assets of \$380,000, but partially offset by receipt of \$98,000 interest.

Net cash used in financing activities for 1H FY2020 amounted to \$3,018,000 and was mainly due to an increase in pledged fixed deposit of \$3,000,000.

Due to the reasons stated above, the Group recorded a net decrease in cash and cash equivalents of \$7,622,000 in 1H FY2020.

The Group ended 1H FY2020 with minimum financial obligation and cash and cash equivalents of \$8,415,000, which includes \$3,050,000 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 use of proceeds is as follow:

	Warrants Exercise \$'000
Net proceeds raised	25,497
Less: Utilisations	
- Business expansion ^(Note A)	(12,149)
- Working capital expenditures ^(Note B)	(11,623)
- Repayment of loan ^(Note C)	(1,173)
Balance as at 4 February 2020	<u>552</u>

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

Note B: General 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 December 2019, RCB were fully repaid with interest.

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

The technology business segment had its biggest increase in 2Q FY2020's, albeit at a lower margin. Management believes that our technology is receiving greater interest with other retailers. At the same time we are also increasing our stock keeping units ("SKUs") with current retailers.

The success of our technology (retail) segment is based on our 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 implementing our asset protection technologies. The Group has evolved PoSA solution into a service (PaaS) and continues to enhance our technology and our services to gain new customers.

The technology (supply chain) segment also saw an increase in revenue and the Group remains focused on growing the technology (supply chain) segment.

The Group is closely monitoring the developments in the COVID-19 virus situation as this will have an impact on the worldwide retail business.



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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 2Q FY2020 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

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.

15. Companies that are subject to quarterly reporting will need to provide: (a) updates on efforts taken to resolve each outstanding audit issue; and (b) confirmation from the Board that the impact of all outstanding audit issues on the financial statement have been adequately disclosed. This will not be required for any audit issue that relates to going concern.

a) The disclaimer of opinion issued on the audited financial statements for the financial year ended 30 June 2019 by the Company's independent auditor, Crowe Horwath First Trust LLP was related to the non-consolidation of EIKA (Singapore) Pte. Ltd ("**EIKA**") and its subsidiary, PT. Engineering Indonesia Karya ("**PT Karya**"). However, the management and the Board are of the view that the Group has neither control nor significant influence over EIKA and its subsidiary, PT Karya, and accordingly EIKA and its subsidiary have neither been consolidated nor equity accounted into the Group's consolidated financial statements since its acquisition in FY2013. In addition, the Group has no access to PT Karya's financial statements since it has no control over EIKA.

b) The Board confirms that the impact of the disclaimer of opinion on the financial statements has been adequately disclosed as at 31 December 2019.

BY ORDER OF THE BOARD

CHNG WENG WAH
Managing Director/Chief Executive Officer

13 February 2020



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

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 financial results for the financial period ended 31 December 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

13 February 2020

LAU KAY HENG
Non-Executive and Independent Director