



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

Unaudited Financial Statement for the financial period ended 31 December 2018

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 (Q1,Q2 & Q3), 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 31 Dec 2018 \$'000	2nd Qtr ended 31 Dec 2017 \$'000	Increase/ (Decrease) %	6 months ended 31 Dec 2018 \$'000	6 months ended 31 Dec 2017 \$'000	Increase/ (Decrease) %
Revenue						
Sale of codes	133	35	N.M.	220	64	N.M.
Services rendered	29	11	N.M.	41	29	41.4
	162	46	N.M.	261	93	N.M.
Other income	139	55	N.M.	228	89	N.M.
Total revenue	301	101	N.M.	489	182	N.M.
Cost and expenses						
Cost of services	(30)	(24)	25.0	(45)	(43)	4.7
Depreciation and amortisation expenses	(408)	(378)	7.9	(821)	(756)	8.6
Employee benefits expenses	(1,206)	(1,832)	(34.2)	(2,548)	(3,039)	(16.2)
Legal and professional expenses	(59)	(122)	(51.6)	(130)	(232)	(44.0)
Operating lease expenses	(153)	(110)	39.1	(275)	(203)	35.5
Other expenses	(322)	(469)	(31.3)	(603)	(989)	(39.0)
Total cost and expenses	(2,178)	(2,935)	(25.8)	(4,422)	(5,262)	(16.0)
Results from operations activities	(1,877)	(2,834)	(33.8)	(3,933)	(5,080)	(22.6)
Finance costs	(273)	(273)	0.0	(566)	(545)	3.9
Loss before taxation	(2,150)	(3,107)	(30.8)	(4,499)	(5,625)	(20.0)
Income tax credit	60	43	39.5	119	103	15.5
Loss for the financial period	(2,090)	(3,064)	(31.8)	(4,380)	(5,522)	(20.7)
Attributable to:						
Owners of the Company	(2,099)	(3,057)	(31.3)	(4,379)	(5,535)	(20.9)
Non-controlling interests	9	(7)	N.M.	(1)	13	N.M.
	(2,090)	(3,064)	(31.8)	(4,380)	(5,522)	(20.7)

N.M. - not meaningful



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Statement of Comprehensive Income

	2nd Qtr ended 31 Dec 2018	2nd Qtr ended 31 Dec 2017	Increase/ (Decrease)	6 months ended 31 Dec 2018	6 months ended 31 Dec 2017	Increase/ (Decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Loss for the financial period	(2,090)	(3,064)	(31.8)	(4,380)	(5,522)	(20.7)
Other comprehensive loss:						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation differences from foreign subsidiaries	-	(3)	N.M.	(1)	(34)	(97.1)
Other comprehensive loss for the period	-	(3)	N.M.	(1)	(34)	(97.1)
Total comprehensive loss for the financial period	(2,090)	(3,067)	(31.9)	(4,381)	(5,556)	(21.1)
Attributable to:						
Owners of the Company	(2,100)	(3,066)	(31.5)	(4,380)	(5,576)	(21.4)
Non-controlling interests	10	(1)	N.M.	(1)	20	N.M.
	(2,090)	(3,067)	(31.9)	(4,381)	(5,556)	(21.1)

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

	2nd Qtr ended 31 Dec 2018	2nd Qtr ended 31 Dec 2017	6 months ended 31 Dec 2018	6 months ended 31 Dec 2017
	\$'000	\$'000	\$'000	\$'000
Interest expenses	273	273	566	545
Interest income	(79)	(48)	(148)	(78)
Depreciation and amortisation expenses	408	378	821	756
Adjustments for underprovision of tax in respect of prior years	-	16	-	16
Employee share-based payments expense	(11)	448	128	541
Currency exchange loss/ (gain) - net	8	4	3	(23)

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	
	31 Dec 2018	30 June 2018	31 Dec 2018	30 June 2018
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Financial assets, available-for-sale	-	-	-	-
Property, plant and equipment	863	982	378	432
Intangible assets	9,831	10,535	-	-
Subsidiaries	-	-	12,084	12,084
Other non-current assets	120	120	96	24
Total non-current assets	10,814	11,637	12,558	12,540
Current assets				
Trade and other receivables	504	609	60	60
Other current assets	912	1,007	112	166
Cash and bank balances	16,115	30,594	9,973	22,625
Financial assets, available-for-sale	-	2,222	-	2,222
Total current assets	17,531	34,432	10,145	25,073
Total assets	28,345	46,069	22,703	37,613
EQUITY AND LIABILITIES				
Equity				
Share capital	58,680	58,680	58,680	58,680
Reserves	2,364	2,237	1,631	1,504
Accumulated losses	(28,182)	(23,803)	(38,233)	(36,398)
Equity attributable to owners of the Company	32,862	37,114	22,078	23,786
Non-controlling interests	(9,801)	(9,800)	-	-
Total equity	23,061	27,314	22,078	23,786
Non-current liabilities				
Financial liabilities	76	84	76	84
Deferred tax liabilities	1,670	1,790	-	-
Total non-current liabilities	1,746	1,874	76	84
Current liabilities				
Trade and other payables	2,240	2,275	-	-
Accruals	583	1,975	105	114
Financial liabilities	16	11,932	428	1,697
Current tax payable	-	-	16	11,932
Provision and other liabilities	699	699	-	-
Total current liabilities	3,538	16,881	549	13,743
Total liabilities	5,284	18,755	625	13,827
Total equity and liabilities	28,345	46,069	22,703	37,613



DISA Limited ("Company" and together with its subsidiaries, the "Group")
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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 Dec 2018 (\$'000)		30 June 2018 (\$'000)	
Secured	Unsecured	Secured	Unsecured
16	-	16	11,916

Amount repayable after one year

31 Dec 2018 (\$'000)		30 June 2018 (\$'000)	
Secured	Unsecured	Secured	Unsecured
76	-	84	-

Details of collateral

As at 31 December 2018, total borrowings included secured liability of \$92,000 (30 June 2018: \$100,000) for the Group. The secured liability is secured by the rights to a leased motor vehicle.

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 Huei, 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

	2nd Qtr ended 31 Dec 2018 \$'000	2nd Qtr ended 31 Dec 2017 \$'000	6 months ended 31 Dec 2018 \$'000	6 months ended 31 Dec 2017 \$'000
Cash flows from operating activities				
Loss before income tax	(2,150)	(3,107)	(4,499)	(5,625)
Adjustments for:				
- Interest expenses	273	273	566	545
- Interest income	(79)	(48)	(148)	(78)
- Amortisation of intangible assets	351	351	702	702
- Depreciation of property, plant and equipment	57	27	119	54
- Employee share-based payments expense	(10)	448	128	541
- Exchange differences	4	(2)	(1)	(37)
Operating cash flows before working capital changes	(1,554)	(2,058)	(3,133)	(3,898)
Changes in working capital:				
- Trade and other receivables	1	(1)	105	53
- Other current assets	48	(21)	95	34
- Trade and other payables	(211)	(194)	(277)	(199)
Cash used in operations	(1,716)	(2,274)	(3,210)	(4,010)
Income tax paid	-	(16)	-	(16)
Net cash used in operating activities	(1,716)	(2,290)	(3,210)	(4,026)
Cash flows from investing activities				
Interest received	79	48	148	78
Purchase of property, plant and equipment	-	(5)	-	(14)
Proceeds from redemption of financial assets, available-for-sale	-	-	2,222	-
Proceeds from disposal of property, plant and equipment	-	1	-	1
Net cash from investing activities	79	44	2,370	65
Cash flows from financing activities				
Interest paid	(1,396)	(1)	(1,630)	(2)
Repayment of finance lease	(4)	(3)	(8)	(7)
Proceeds from exercise of warrants	-	-	-	18,988
Release of pledged fixed deposits	-	61	-	61
Repayment of convertible bonds	(12,000)	-	(12,000)	-
Net cash (used in)/ from financing activities	(13,400)	57	(13,638)	19,040
Net (decrease)/increase in cash and cash equivalents	(15,037)	(2,189)	(14,478)	15,079
Effects of exchange rate changes on cash and cash equivalents	(1)	(1)	(1)	2
Cash and cash equivalents at beginning of the financial period	31,103	37,375	30,544	20,104
Cash and cash equivalents at end of the financial period (Note A)	16,065	35,185	16,065	35,185



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Unaudited Financial Statement for the financial period ended 31 December 2018

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 2018 \$'000	6 months ended 31 Dec 2017 \$'000
Cash at bank and on hand	4,365	5,158
Short-term bank deposits	11,750	30,027
Cash and bank balances per Group statement of financial position	16,115	35,185
Less: Deposits placed with banks as security	(50)	-
Cash and cash equivalents per consolidated statement of cash flows	16,065	35,185

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	-	-	-	-	-	(4,379)	(4,379)	(1)	(4,380)
Other comprehensive loss for the financial period									
- Foreign currency translation differences from foreign subsidiaries	-	-	(1)	-	-	-	(1)	-	(1)
Total comprehensive income for the financial period	-	-	(1)	-	-	(4,379)	(4,380)	(1)	(4,381)
Others									
Employee share-based payment expenses	-	-	-	128	-	-	128	-	128
Transfer on redemption of convertible bonds	-	(82)	-	-	82	-	-	-	-
	-	(82)	-	128	82	-	128	-	128
Balance as at 31 December 2018	58,680	-	(2)	1,389	977	(28,182)	32,862	(9,801)	23,061



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Group

FY 2018

Balance as at 1 July 2017

Total comprehensive income

- Loss for the financial period

Other comprehensive income for the financial period

- Foreign currency translation differences from foreign subsidiaries

- Realisation of a foreign currency translation on liquidation of a subsidiary

Waiver of amount owing by a minority shareholder

Transactions with owners, recorded directly in equity

Contribution by and distributions to owners

Issue of shares:

Conversion from warrants to shares

Others

Expiry of warrants

Employee share-based payment expenses

Deregistration of a subsidiary

Transfer on conversion from warrants issue expenses

Transfer on conversion from warrants to shares

Balance as at 31 December 2017

	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
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	-	-	-	-	(1)	(5,534)	(5,535)	13	(5,522)
Other comprehensive income for the financial period									
- Foreign currency translation differences from foreign subsidiaries	-	-	(41)	-	-	-	(41)	7	(34)
- Realisation of a foreign currency translation on liquidation of a subsidiary	-	-	(2)	-	-	2	-	-	-
Waiver of amount owing by a minority shareholder	-	-	(43)	-	(1)	(5,532)	(5,576)	20	(5,556)
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	-	-	-	541	-	-	541	-	541
Deregistration of a subsidiary	-	-	-	-	-	-	-	(106)	(106)
Transfer on conversion from warrants issue expenses	(193)	-	-	-	193	-	-	-	-
Transfer on conversion from warrants to shares	2,712	-	-	-	(2,712)	-	-	-	-
	2,552	-	-	541	(2,552)	-	541	(106)	435
Balance as at 31 December 2017	58,680	82	(87)	1,414	894	(18,411)	42,572	(10,111)	32,461



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Company

	Share capital \$'000	Equity component of convertible bonds \$'000	Share option reserve \$'000	Capital reserve \$'000	Accumulated losses \$'000	Total equity \$'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	-	-	-	-	(1,835)	(1,835)
Employee share-based payment expenses	-	-	128	-	-	128
Transfer on redemption of convertible bonds	-	(82)	-	82	-	-
Balance as at 31 December 2018	58,680	-	1,389	242	(38,233)	22,078
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	(2,149)	(2,148)
Conversion of warrants to ordinary shares	18,988	-	-	-	-	18,988
Expiry of warrants	33	-	-	(33)	-	-
Employee share-based payment expenses	-	-	541	-	-	541
Transfer on conversion from warrants to shares	2,519	-	-	(2,519)	-	-
Balance as at 31 December 2017	58,680	82	1,414	160	(16,810)	43,526

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

As at beginning and end of the period

Q2 FY2019	Q2 FY2018
10,038,683,403	10,038,683,403

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

Q2 FY2019	Q2 FY2018
312,000,000	59,000,000
526,500,000	243,000,000
(83,000,000)	(9,000,000)
755,500,000	293,000,000

C) Convertible bonds

As at 31 December 2018, 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 December 2017: 1,287,272,728). (refer 1(b)(iii)).



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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.

	<u>31 Dec 2018</u>	<u>30 June 2018</u>
Total number of ordinary issued shares excluding treasury shares	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 December 2018 and 31 December 2017.

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 December 2018 and 31 December 2017.

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	
2nd Qtr ended 31 Dec 2018	2nd Qtr ended 31 Dec 2017	6 months ended 31 Dec 2018	6 months ended 31 Dec 2017
(0.02)	(0.03)	(0.04)	(0.07)
(0.02)	(0.03)	(0.04)	(0.07)
10,038,683,403	10,038,683,403	10,038,683,403	8,365,814,781
10,038,683,403	10,038,683,403	10,039,260,326	8,365,814,781

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 Dec 2018	As at 30 June 2018	As at 31 Dec 2018	As at 30 June 2018
0.33	0.37	0.22	0.24

Net asset value per ordinary share base on existing issued share capital (Cents)

The net asset value per ordinary share attributable to owners of the Company is computed based on 10,038,683,403 (30 June 2018: 10,038,683,403) ordinary shares as at 31 December 2018.



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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 2018 ("2Q FY2019") versus Second Quarter Ended 31 December 2017 ("2Q FY2018") and Half Year Ended 31 December 2018 ("1H FY2019") versus Half Year Ended 31 December 2017 ("1H FY2018"))

i) Revenue

The Group registered a 252.2% increase in revenue from \$46,000 in 2Q FY2018 to \$162,000 in 2Q FY2019. Revenue from the technology segment grew by 280.0% in the same period where sale of code is the main source of revenue for the Group representing 82.1% of the revenue in 2Q FY2019. Energy Management Services contributed the remaining revenue with diminishing significance and made up of only 17.9% in 2Q FY2019 as compared to 23.9% in 2Q FY2018.

The Group achieved similar high percentage growth on a year-to-date ("YoY") comparison. The Group saw an 180.6% increase in overall revenue from \$93,000 in 1H FY2018 to \$261,000 in 1H FY2019 and a 243.8% increase in the technology segment over the same period. Similarly, sale of code is the main source of revenue representing 84.3% of the total revenue in 1H FY2019. The breakdown of revenue is represented in Table A below:

Table A

	2nd Qtr ended 31 Dec 2018 \$'000	% to total revenue	2nd Qtr ended 31 Dec 2017 \$'000	% to total revenue		6 months ended 31 Dec 2018 \$'000	% to total revenue	6 months ended 31 Dec 2017 \$'000	% to total revenue
Technology	133	82.1%	35	76.1%		220	84.3%	64	68.8%
Energy Management Services	29	17.9%	11	23.9%		41	15.7%	29	31.2%
	162	100.0%	46	100.0%		261	100.0%	93	100.0%

ii) Other income

Other income increased by \$84,000 or 152.7% from \$55,000 in 2Q FY2018 to \$139,000 in 2Q FY2019. This was mainly attributable to (i) higher fixed deposit interest earned in 2Q FY2019; and (ii) rental income from leasing of excess office spaces.

On YoY basis, other income increased by \$139,000 or 156.2% from \$89,000 in 1H FY2018 to \$228,000 in 1H FY2019. The increase was driven by the same factors as explained above.

iii) Cost and expenses

Total cost and expenses for 2Q FY2019 was \$2,178,000 which was 25.8% lower compared to 2Q FY2018. The Group had maintained the same cost structure as first quarter ended 30 September 2018 ("1Q FY2019") except for the number of employees which has decreased due to natural attrition. Operating leases expenses in 2Q FY2019 were higher by 39.1% compared to 2Q FY2018 and this was due to the increase in the scale of the Group's operations. The decrease in legal and professional expenses by 51.6% was due to fewer engagement for the services of external professional firms for public relationship and business consultation services. There was a decrease in other expenses by 31.3% due to lesser expenses such as upkeep of computer, traveling and recruitment expenses. Employee benefits expenses decreased 34.2% from \$1,832,000 in 2Q FY2018 to \$1,206,000 in 2Q FY2019 and this was mainly due to reversal of share-based expenses due to reduced number of employees.

On YoY basis, total cost and expenses for 1H FY2019 was \$4,422,000 which was 16.0% lower than 1H FY2018. The Group's other expenses reduced by 39.0% due to decreased marketing, upkeep of computer, travelling, call centre and recruitment expenses as well as lower legal and professional fees by 44.0% due to fewer engagement of external professional firms for public relationship and business consultation services. Reversal of share-based expenses resulted in \$490,000, or 16.0% reduction in employee benefits expenses from \$3,039,000 in 1H2018 to \$2,548,000 in 1H FY2019. Operating leases expenses were higher in 1H FY2019 by 35.5% compared to 1H FY2018 due increase in the scale of the Group's operations.

Total finance expenses was \$273,000 and \$566,000 respectively for 2Q FY2019 and 1H FY2019 which is consistent with the preceding periods. Finance expenses arose mainly from interest payable for RCB.

After taking into account of income tax credit of \$60,000 and \$119,000 respectively for 2Q FY2019 and 1H FY2019, the net loss for the period was reduced by 31.8% and 20.7% respectively.

Due to the reasons stated above, the net loss attributable to shareholders in 2Q FY2019 and 1H FY2019 was \$2,099,000 and \$4,379,000 respectively.



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(B) Statements of Financial Position

Total assets of the Group decreased by \$17,724,000 or 38.5% from \$46,069,000 as at 30 June 2018 to \$28,345,000 as at 31 December 2018, 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 Property, plant and equipment and Intangible assets of \$823,000 mainly due to depreciation and amortisation charges during the financial period.
- iii) Decrease in cash and balances of \$14,479,000 over the financial period. Refer to explanation in "8(C) Cash Flows" below.

Total liabilities of the Group decreased by \$13,470,000 from \$18,755,000 as at 30 June 2018 to \$5,285,000 as at 31 December 2018, 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 \$119,000 as compared to 30 June 2018 and this was mainly due to reduction in intangible assets as a result of amortisation.

(C) Cash Flows

i) 2Q FY2019

Net cash outflow from operating activities for 2Q FY2019 was \$1,716,000. This comprised operating cash outflows before working capital changes of \$1,554,000 which was mainly due to the loss before income tax for the financial period and adjusted for net working capital outflow of \$162,000. The net working capital outflow was due to decrease in trade and other receivables and other assets of \$49,000, offset by decrease in trade and other payables of \$211,000.

Net cash from investing activities was due to \$79,000 interests received in 2Q FY2019.

Net cash used in financing activities for Q2 FY2019 amounted to \$13,400,000 which was mainly due to repayment of RCB amounting to \$12 million, interest payment (including interest from the RCB) of \$1,396,000; and repayment of finance lease of \$4,000.

Due to the reasons stated above, the Group recorded a net decrease in cash and cash equivalents of \$15,037,000 in 2Q FY2019.

With the repayment of RCB, the Group ended 2Q FY2019 with a lower financial obligation and a cash and cash equivalents of \$16,115,000 which includes \$50,000 in pledged deposits.

ii) 1H FY2019

Net cash outflow from operating activities for 1H FY2019 was \$3,210,000. This comprised operating cash outflows before working capital changes of \$3,133,000 which was mainly due to the loss before income tax for the financial period and adjusted for net working capital outflow of \$76,000. The net working capital outflow was due to decrease in trade and other receivables of \$106,000, other assets of \$95,000 and offset by decrease in trade and other payables of \$277,000.

Receipt of proceeds from redemption of redeemable preference shares and interest income received resulted in \$2,370,000 cash inflow from investing activities.

Net cash used in financing activities for 1H FY2019 amounted to \$13,638,000 which was mainly due repayment of RCB amounting to \$12 million, interest payment (including interest from the RCB) of \$1,630,000; and repayment of finance lease of \$8,000.

Due to the reasons stated above, the Group recorded a net decrease in cash and cash equivalents of \$14,478,000 in 1H FY2019.

With the repayment of RCB, the Group ended 1H FY2019 with a lower financial obligation and a cash and cash equivalents of \$16,115,000 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)	(8,563)
- Repayment of loan (Note C)	(1,173)
Balance as at 31 December 2018	<u>5,617</u>

Note A: Additional investment in Disa Digital Safety Pte. Ltd. and loan extension for working capital purposes.

Note B: Working capital expenditures consisted of staff salaries and related expenses as well as non-trade payments.

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 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 2018, 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 2Q FY2019 on 4 January 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 sets a quarterly record with 1,225,149 codes sold in 2Q FY2019. Technology segment revenue rose 52.9% from 1Q FY2019. The increase in the number of codes sold this quarter compared to 464,629 codes sold in first quarter ended 30 September 2017 is due to repeat sales along with an increased number of customers. Our PoSA (Point-of-Sale activation) and 3S (Single Scan Serialisation) solution are being adopted by more customers (which are the suppliers of our US retailer partners) and their application of these technologies 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 though the Company is anticipating a possible dip in the forthcoming quarter due to the extended shutdown of the factories in China during the Chinese New Year period.

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 the United States adopting our asset protection technologies. The Group is also focused 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 the 2Q 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). If no IPT mandate has been obtained a statement to that effect.**
The Company has no general IPT mandate and no IPT transactions for the period under review.
14. **Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)**
The Company has procured undertakings from all its directors and executive officers in the format set out in Appendix 7H of the Catalist Rules.

BY ORDER OF THE BOARD

CHNG WENG WAH
Managing Director/Chief Executive Officer

13 February 2019

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 accompany unaudited interim financial results for the six months ended 31 December 2018 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 2019

LAU KAY HENG
Non-Executive and Independent Director