



DISA Limited
(Company Registration No. 197501110N)
(Incorporated in the Republic of Singapore)

INDEPENDENT AUDITOR'S OPINION ON FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JULY 2019 TO 30 JUNE 2020

Pursuant to Rule 704(4) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the board of directors (the “**Board**”) of DISA Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s independent auditor, Baker Tilly TFW LLP, had issued a qualified opinion on the audited financial statements for the financial year ended 30 June 2020.

An extract of the basis for the qualified opinion in the independent auditor’s report together with the extract of the relevant note to the audited financial statements are set out below:

Basis for Qualified Opinion

Non-consolidation of EIKA (Singapore) Pte. Ltd. and its subsidiary (“EIKA Group”)

The independent auditor’s report on the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2019 included a disclaimer of opinion on the non-consolidation of EIKA Group. The extract of the basis for disclaimer of opinion is disclosed in Note 39 to the financial statements. We were unable to obtain sufficient information for us to ascertain whether the Group has control over EIKA Group. Accordingly, we were unable to determine whether EIKA Group should have been consolidated in the consolidated financial statements of the Group for the financial year ended 30 June 2019. As disclosed in Note 19(b) to the financial statements, the Company completed the transfer of its shareholdings in EIKA to a non-related party during the financial year ended 30 June 2020.

In view of the matter described above, since the opening balances as at 1 July 2019 enter into the determination of the financial performance, changes in equity and cash flows of the Group for the financial year ended 30 June 2020, we were unable to determine whether adjustments might have been found necessary in respect of the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year ended 30 June 2020.

Our opinion on the current year’s financial statements is also modified because of the possible effects of the matter on the comparability of the current year’s figures and the corresponding figures.

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA

Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Notes to Financial Statements

Note 19, Other current assets

(b) On 30 October 2012, the Company had entered into a sales and purchase agreement (“S&P”) with 2 individual third parties (“Vendors”) to purchase 55% of equity shares (440,000 shares) of EIKA (Singapore) Pte. Ltd. (“EIKA”) from the Vendors at a purchase consideration of \$1,000,000 (“Purchase Price”). Based on the S&P, the Purchase Price had been derived based on the projected net tangible assets (“NTA”) of EIKA of \$2,000,000. The Purchase Price was to be adjusted based on a formula stipulated in the S&P if the actual NTA is less than \$2,000,000. As a result, the Group was entitled to a refund amount of \$969,381 based on the audited NTA, but the amount was not refunded by the Vendors. The shares were transferred to and registered in the name of the Company on 20 November 2012.

Legal proceeding was then brought against the Vendors to claim back the amount and the court case was resolved on 26 November 2016 that the Vendors had to repay \$969,381 plus 5.33% per annum interest from date of writ (i.e. 14 May 2014) to the Company.

The Company also commenced bankruptcy application against one of the Vendors and both Vendors have since been made bankrupts and ceased to be directors of EIKA. With effect from 21 January 2019, the board of directors of EIKA only comprised 2 directors, who are both representatives from the Group.

In June 2020, the Company completed the transfer of its entire shareholding interest in EIKA to a non-related party for a cash consideration of \$1. As a result of the transfer, the deposit was derecognised.

Note 39, Basis for disclaimer of opinion on the financial statements for the financial year ended 30 June 2019

The independent auditor’s report dated 3 October 2019 contained a disclaimer of opinion on the financial statements for the financial year ended 30 June 2019. The extract of the basis for the disclaimer of opinion is as follows:

Basis for Disclaimer of Opinion

Non-consolidation of subsidiaries

As disclosed in Note 15 to the financial statements, on 30 October 2012, the Company entered into a sales and purchase agreement (“S&P”) with 2 individuals (“Vendors”) to purchase 440,000 shares of EIKA (Singapore) Pte. Ltd. (“EIKA”), representing 55% equity interest in EIKA. The shares were transferred to and registered in the name of the Company on 20 November 2012, and the Company became the major shareholder of EIKA.

During the same financial year (“FY”) ended 30 June 2013, the Company sought to recover a partial refund of the purchase consideration, based on adjustments as provided for in the S&P. The Company successfully obtained a court judgement in November 2016 for the refund sought. The Company also commenced bankruptcy application against one of the Vendors, and both Vendors

have since been made bankrupts and ceased to be directors of EIKA. With effect from 21 January 2019, the board of directors of EIKA comprised 2 directors, both of whom are representatives from the Group.

Notwithstanding the above, the management and the board of directors of the Company are of the view that the Group has neither control nor significant influence over EIKA and its subsidiary, PT. Engineering Indonesia Karya (“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. Management also represented that they have no access to financial information and accounting records relating to PT Karya and are therefore unable to prepare financial information relating to EIKA and its subsidiary, PT Karya. The cost of investment of \$1,000,000 was recorded under “Deposit paid to secure potential investment” in “Other current assets” (Note 15 to the financial statements) and has been fully impaired since FY2013.

We do not consider management explanations on the non-consolidation due to lack of control over EIKA to be satisfactory, given that the Group is both the major shareholder and has full control over the composition of the board of directors of EIKA. As there are no financial information relating to PT Karya, we are unable to determine the extent of adjustments and additional disclosures necessary in respect of the Group’s consolidated financial statements for the year ended 30 June 2019 including those presented as corresponding figures, had EIKA and its subsidiary been consolidated.

Please also refer to the announcement made by the Company on 4 October 2019 for the independent auditor’s opinion on financial statements for the financial year from 1 July 2018 to 30 June 2019.

Shareholders of the Company (“**Shareholders**”) are advised to read the audited financial statements in its 2020 annual report, which will be made available to Shareholders in due course.

BY ORDER OF THE BOARD

Chng Weng Wah
Managing Director and Chief Executive Officer
14 October 2020

*This announcement has been reviewed by the Company’s sponsor, SAC Capital Private Limited (the “**Sponsor**”). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Mr. Ong Hwee Li (Registered Professional, SAC Capital Private Limited)
Address: 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.
Telephone number: +65 6232 3210*