DiSa


# DRIVING **GROWTH**

ANNUAL REPORT 2018

# CONTENTS




On the Cover: **DRIVING GROWTH**, A graphical perspective of technological development, digital innovation, an emerging business that will reinvent and advance towards the future driving growth.

All figures in this annual report are in Singapore dollars unless otherwise indicated.

This annual report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Company's Sponsor has not independently verified the contents of this annual report.

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

The contact person for the Company's Sponsor is Mr. Ong Hwee Li (Registered Professional, SAC Capital Private Limited).

Address: 1 Robinson Road, #21-00 AIA Tower, Singapore 048542. Tel : 65323829

# CORPORATE STRUCTURE

AS AT 30 JUNE 2018

DiSa

**TECHNOLOGY**

- 100% Disa Digital Safety Pte. Ltd.
  - 100% Disa Digital Safety (Shenzhen) Limited
  - 100% Disa Digital Safety (USA)
  - 77.5% QuickCheck Technology Limited

**ENERGY MANAGEMENT SERVICES**

- 70% Equation Energy Pte. Ltd.

**SUPPLY OF CONSTRUCTION MATERIALS**

- 81.6% Equation Resources Pte. Ltd.

# CORPORATE PROFILE

## DISA LIMITED

*DISA LIMITED ("DISA" or together with its subsidiaries, the "Group"), is an investment holding company listed on the SGX Catalist since 1992.*

*The Group is focusing on high-value services with long term economic resilience through globalisation initiatives.*

*The primary businesses of the Group will strengthen the Group's reliability and sustainability by way of leveraging in-house eco system research and development capabilities to innovate new product development with cloud-based platforms and digitalisation of product and services.*

*Advancing towards disruptive technology will be actively pursued in all industry segments as the Group continues to evolve its competitive edge to thrive in the digital era.*

*Since 2006, the Group has actively reviewed its businesses to focus on high-value services with long term potential while divesting non-core segments to complement its growth. Today, through its subsidiaries, the Group operates in three core business segments, which includes Technology, Energy Management Services and the Supply of Construction Materials.*

*The Group has offices in Singapore, China and the United States of America ("USA").*

## TECHNOLOGY

Disa Digital Safety Pte. Ltd. ("DDSPL") is a wholly owned subsidiary of DISA Limited that specializes in research and development of cutting-edge security ("DiSa Asset Protection") solution.

DDSPL entered the USA market in 2014 and first implemented its award-winning Point-of-Sale Activation ("PoSA Smart Lock") Solution in the stores of the largest retailer in USA in 2016. Disa Digital Safety (USA), a wholly owned subsidiary of DDSPL was named first place winner for the 2017 (R)Tech Asset Protection: Innovation Award by the Retail Industry Leaders Association, USA for its Point-of-Sale Activation technology on 24 April, 2017.

**PoSA Smart Lock** is the world's first digital asset-protection solution that removes the benefit of stealing by making the consumer electronic products non-functional until the point of payment by the consumer at retail stores.

In 2017, DDSPL launched its Single-Scan Serialization ("3S Smart Barcode") within the same retailer to prevent return fraud. A retail crime survey conducted by National Retail Federation estimated that retail return fraud and abuse costs all USA merchants as much as US$40.4 billion in 2017[1].

**3S Smart Barcode**, effectively stops invalid returns, offers product visibility with real-time analytics from Product ID Live, and provides more accurate inventory calculations by rejecting invalid returns and giving more precise store and item sales and returns data.

**Product ID Live**, the first smart Asset Protection technology tool that proactively combating shrink and eliminating return fraud. Retailers and suppliers receive live 24/7 user access to individual item tracking, predictive algorithms, preventative warning notifications, merchandising tools, shrink and fraud alerts, and live inventory analytics.


[1] APPRISS RETAIL: 2017 Consumer Returns in the Retail Industry

# CORPORATE PROFILE

## ENERGY MANAGEMENT SERVICES

Equation Energy Pte. Ltd. ("EEPL") provides sustainable energy management solutions to the building industry in Singapore.

EEPL's core services cover Energy Auditing and Management, Design and Consultancy, funded solutions in Energy Performance Contracting.

In Energy Auditing and Management, EEPL's team of appointed engineers utilises high accuracy instrumentation complying with both Building & Construction Authority ("BCA") and International Performance Measurement & Verification Protocol ("IPMVP") for measurement and data verification.

EEPL's Design and Consultancy services are in line with BCA's Green Mark for Building Scheme launched in 2005 to move Singapore's construction industry towards more environmentally sustainable buildings. It provides clients with comprehensive gap analysis, Green Mark assessment audits and energy consultancy for both new and existing developments.

A key contributor to EEPL's top line is in the area of performance contracting wherein the company will undertake to implement the plant and equipment retrofit as a funded design and build project and the actual savings realised is used to repay the project cost.

To date, EEPL has successfully completed a number of energy consultancies and implemented a number of energy performance contracts. Some of the completed and on-going projects include Bodynits at Changi, Bukit Timah Plaza, Golden Mile Tower, IMM@Jurong East, People's Park Complex, MOM Building at Bendemeer, Rivervale Mall, Tampines Mall and Wheelock Place.

## SUPPLY OF CONSTRUCTION MATERIALS

Equation Resources Pte. Ltd. ("ERPL") is in the business of supplying and trading of construction materials including sand, granite and coal. The company owns 100% rights to granite reserves in an Indonesian quarry with more than 10 million metric tonnes reserve. The granites are to be shipped to Singapore for supply to major players in the construction industries. Even though the business has been discontinued during the financial year 2014, the segment will remain vigilant to other opportunities in the future.

# LETTER TO SHAREHOLDERS

LEFT:
**CHNG WENG WAH**
Managing Director and
Chief Executive Officer

RIGHT:
**TOH HOCK GHIM**
Chairman

## AT NO COST TO RETAILERS, OUR POSA AND 3S (SINGLE SCAN SERIALISATION) SOLUTIONS HELP RETAILERS TO IMPROVE THEIR OPEN SELL FORMAT SALES WHILE REDUCING SHRINKAGE AND SPENDING ON ASSET SECURITY.

### DEAR FELLOW SHAREHOLDERS,

On behalf of the Board of Directors of DISA Limited ("DISA" or the "Company", and together with its subsidiaries, the "Group"), we are pleased to present to you the annual report of the Group for the financial year ended 30 June 2018 ("FY2018").

### FY2018 – A YEAR OF EXCITEMENT

Singapore's economy expanded 3.5% in 2017 – more than double initial forecasts – due to an upswing in the global economy[1]. However, Singapore's economic growth in 2018 is expected to moderate from 2017 but remains firm despite global trade risks. Fears of a protracted trade war between the US and China could cause a loss of confidence to invest and keep up consumer spending, dampening global economic growth.

FY2018 has been exciting for the Group as we continue the successful roll out and sale of more PoSA-enabled products as well as 3S-enabled products in the stores of the largest retailer in US. With increased sales resulting from the open sell format, retailers will have more incentives to increase their product categories to be PoSA or 3S-enabled.

As of now, we have some 25 PoSA and 3S suppliers as we continue to expect more suppliers to come on-board.

With expanding product categories, the Group continues to recruit industry veterans to join our present team of marketing professionals in their efforts to woo the major US retailers to be part of our ground-breaking, disruptive technologies.

In April 2018, the Loss Prevention Research Council (LPRC) hosted an educational Benefit Denial Summit at the headquarters of Target, one of the top US retailers. Target and other top US retailers, including Walmart and Best Buy discussed at the summit key theft protective advantages of Benefit Denial and Point of Sale Activation Asset Protection/Loss Prevention methods by reducing or eliminating the reward for would-be thieves.

1 Available: February 2018 ISCA Journal – Focus ISCA Pre-Budget Roundtable 2018

# LETTER TO SHAREHOLDERS

This theft prevention method has key theoretical advantages, as it protects high-theft products throughout the supply chain, and extends protection to internal theft and package theft. Key LPRC research results and plans were discussed at the April summit, including two solutions in current LPRC testing engineered by Disa Digital Safety (USA) or DiSa: PoSA Smart Lock, and 3S Smart Barcode.

PoSA Smart Lock removes the so-called benefit of stealing by making any smart device non-functional until purchased, allowing for Open Selling. PoSA creates 24/7 product availability without theft deterrents, lengthens the sales window, and gains impulse purchases, increasing consumer sales by 20%[2].

3S Smart Barcode effectively stops invalid returns, offers product visibility with real-time analytics from Product ID Live, and provides more accurate inventory calculations by rejecting invalid returns and giving more precise store and item sales and returns data.

The upcoming Digital Safety (DiSa) Smart Solutions proof-of-concept (POC) phase with two other retailers by the LPRC, namely Target and Kroger will focus on three key points: sales lift data, cost savings, and payroll reduction. These retailers will begin the point-of-sale (POS) implementation, and complete on-boarding of the Smart Solutions at their stores.

During FY2018, we continue our streamlining of the Group by deregistering three (3) dormant indirect subsidiaries, 深圳讯检文化传播有限公司, 讯检码科技(深圳)有限公司 and QuickCheck Group Limited and disposing a dormant indirect subsidiary, Disa Digital Safety Limited. The Group has also announced the dissolution of a 66.1%-owned Germany-incorporated subsidiary, Disa Digital Safety GmbH and it is currently under liquidation.

## FUTURE

Disruptive technologies have changed the face and pace of conducting business. Technologies such as blockchain and artificial intelligence have started to catch on in the marketplace, threatening to destroy existing business models while creating new ones. Consequently, it is only a matter of time the benefits of adopting PoSA and 3S Solutions will outweigh the initial resistance to technology adoption due to the usual teething problems faced during all adoption phase of any new technologies.

Our PoSA and 3S Solutions are effective technologies in asset protection. At no cost to retailers, our PoSA and 3S Solutions help retailers to improve their open sell format sales while reducing shrinkage and spending on asset security. We are confident that our strategy in focusing on developing revolutionary new technologies will enable the Group to achieve long-term growth.

## SUSTAINABILITY MATTERS

We reaffirm our commitment to sustainability by publishing our maiden sustainability report guided by the Global Reporting Initiative ("GRI") Standards: Core Option. We seek to provide insights into the way we do business, while highlighting our environmental, social, governance ("ESG") and economic performance.

As we progress on our sustainability journey, we are committed to maintain a sound sustainability reporting framework to fulfil our social responsibility and safeguard the interest of our stakeholders.

## OUR APPRECIATION

On behalf of the Board, we would like to extend our appreciation to the management and staff of the Group across Asia and the United States for their hard work and commitment to bring the various targets to fruition during FY2018. We would also like to express our thanks to our shareholders, our clients and business partners for the continued support and belief in the direction of the Group and in its leaders.

We look forward to making more breakthroughs in the technology segment in FY2019 as our pending collaboration with other major retailers is gaining traction.

HG Toh

**TOH HOCK GHIM**
Chairman

**CHNG WENG WAH**
Managing Director and
Chief Executive Officer

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2 Loss Prevention Research Council – Proof of concept announcement. Source: https://lpresearch.org/proof-of-concept-announcement/

# BOARD OF DIRECTORS

## TOH HOCK GHIM

Chairman, Non-Executive and Independent Director
Chairman, Board of Directors
Chairman, Nominating Committee
Member, Audit and Risks Management Committee and Remuneration Committee
First appointed on 11 January 2008
Last re-elected on 28 October 2016

Mr. Toh joined the Ministry of Foreign Affairs in October 1966 and had served in Singapore's diplomatic posts in Malaysia, the Philippines, Thailand, Vietnam and the Hong Kong & Macau Special Administrative Regions ("SARs"). He was Ambassador to Vietnam from January 1994 to January 2002 and Consul-General to the Hong Kong and Macau SARs from February 2002 to December 2007. He was appointed as Senior Adviser to the Ministry of Foreign Affairs upon his retirement from the Foreign Service at the end of 2007 till 2014. Mr. Toh obtained his Bachelor of Arts (Political Science) degree from the University of Singapore. He also sits on the Board of four other listed companies, details of which are set out in the table on page 9 of this annual report.

## CHNG WENG WAH

Managing Director and Chief Executive Officer, Non-Independent
First appointed on 3 February 2005
Last re-elected on 30 November 2015

Mr. Chng joined DISA Limited in February 2005 as the Group's Executive Director and Chief Executive Officer. He steers the Group towards its vision and strategic direction. Mr. Chng has a diverse background of versatile experience in various industries which cover the fields of product development, innovation; and marketing and sales. He received Asia Europe Young Entrepreneurs Award at the Berlin Asia Europe Young Entrepreneurs Forum.

## LAU KAY HENG

Non-Executive and Independent Director
Chairman, Audit and Risks Management Committee
Member, Remuneration Committee and Nominating Committee
First appointed on 1 September 2011
Last re-elected on 28 October 2016

Mr. Lau has over 20 years of corporate management and corporate advisory experience spanning the Asia Pacific region for various multinational and Singapore-listed companies in the medical, chemical, pharmaceutical, interior floor covering and environmental industries. Mr. Lau is currently the Managing Director of a boutique corporate advisory firm specializing in corporate advisory, private equity, merger & acquisition, IPO transactions in Singapore, China, Korea, Australia and other countries in the region. Mr. Lau is also the Chairman of iBosses Corporation Limited, a company listed on the Australian Securities Exchange Ltd ("ASX"). Mr. Lau was awarded the prestigious Public Service Commission Scholarship and graduated from the National University of Singapore with a Bachelor of Science degree.

# BOARD OF DIRECTORS

## KAN AH CHYE

Non-Executive and Independent Director
Chairman, Remuneration Committee
Member, Audit and Risks Management Committee and Nominating Committee
First appointed on 12 February 2012
Last re-elected on 28 October 2016

Mr. Kan was appointed as an Independent Non-Executive Director on 12 February 2012. He graduated from the University of Malaya in 1969 with an Honours Degree in Economics and Accounting. He retired as a banker in 2007 as the Head of Corporate Banking with an international bank in Singapore. He has over 25 years of experience in corporate and investment banking in Singapore. Prior to coming to Singapore, Mr. Kan had worked for 12 years in project financing and investment banking in the leading development finance institution in Kuala Lumpur, Malaysia. In addition to his experience in banking and finance, Mr. Kan has also worked in a senior management capacity in a leading property development company in Singapore.

## LIM SOON HOCK

Non-Executive and Non-Independent Director
Member, Audit and Risks Management Committee, Nominating Committee and Remuneration Committee
First appointed on 11 May 2017
Last re-elected on 27 October 2017

Mr. Lim Soon Hock has more than 30 years' of experience as a board member, CEO, technopreneur and private investor, across a variety of global industries, in a highly competitive environment.

He is currently the Founder and Managing Director of PLAN-B ICAG Pte Ltd, a boutique corporate advisory firm, which he set up after stepping down from Compaq Computer Asia Pacific, where he was the first Asian and Singaporean appointed to the position of Vice President and Managing Director of Compaq Computer Asia Pacific.

Post-Compaq, he has been involved in taking companies public, mergers and acquisitions, as well as consulting for several global MNCs, promising SMEs and start-ups.

Mr. Lim continues to sit on the boards of several government agencies, public listed companies, private and community service organisations. He is a Non-Executive and Independent Director of China Fishery Group Limited and Chairman of Heatec Jietong Holdings Ltd, public listed companies on the SGX-ST. He received numerous awards in recognition of his work and public service. Mr. Lim holds a Bachelor of Engineering (Honours) from the University of Singapore.

He is also a Honorary Fellow of ASEAN Federation of Engineering Organisations, a Fellow of Institution of Engineers Singapore, Academy of Engineering Singapore, Institution of Engineering and Technology, UK, Singapore Computer Society, Singapore Institute of Directors and Singapore Institute of Arbitrators.

Mr. Lim is a Justice of the Peace, a Volunteer Mediator with our State Courts and an Adjunct Professor with our National University of Singapore.

## LOH EU TSE DEREK

Non-Executive and Independent Director
Member, Audit and Risks Management Committee, Nominating Committee and Remuneration Committee
First appointed on 11 May 2017
Last re-elected on 27 October 2017

Mr. Loh is an Advocate and Solicitor of the Supreme Court of Singapore and practices law in Singapore as a Partner at TSMP Law Corporation. He graduated with honours from Cambridge University.

Mr. Loh is also an Independent Director of Vietnam Enterprise Investments Limited, Vibrant Group Limited, Metech International Limited and Adventus Holdings Limited. He is a member of the Board of Governors of St Joseph's Institution International in Singapore and a trustee and a member of the Management Committee of the St Joseph's Institution Foundation.

Information on the Directors' chairmanships and directorships both present and those held over the preceding three years in other listed companies are summarised below:

| DIRECTOR | DIRECTORSHIPS/CHAIRMANSHIPS IN OTHER LISTED COMPANIES (present & held over preceding 3 years) | |
|---|---|---|
| | **Over preceding 3 years** | **Present** |
| Toh Hock Ghim | As an Independent Director in<br>– *LifeBrandz Ltd* | As an Independent Director in<br>– *AGV Group Limited*<br>– *AnAn International Limited (F.K.A. CEFC International Limited)*<br>– *FDG Kinetic Limited (Listed in Hong Kong)*<br>– *Fourth Link Inc. (Listed in South Korea)* |
| Chng Weng Wah | As Non-Executive Director in<br>– *AGV Group Limited*<br>– *LifeBrandz Ltd* | None |
| Lau Kay Heng | As an Independent Director in<br>– *Cacola Furniture International Limited*<br>– *Premiere Eastern Energy Limited* | As a Chairman in<br>– *iBosses Corporation Limited* |
| Kan Ah Chye | None | As an Independent Director in<br>– *Compact Metal Industries Ltd.* |
| Lim Soon Hock | As an Independent Director in<br>– *Stratech Systems Limited* | As an Independent Director in<br>– *China Fishery Group Limited*<br><br>As a Chairman in<br>– *Heatec Jietong Holdings Ltd* |
| Loh Eu Tse Derek | None | As an Independent Director in<br>– *Adventus Holdings Limited*<br>– *Metech International Limited*<br>– *Vibrant Group Limited*<br>– *Vietnam Enterprise Investments Limited* |

# GROUP KEY EXECUTIVES

## LOW CHUAN JEE

Chief Financial Officer

Ms. Low is responsible for the finance, compliance and reporting functions of the Group. Her post-graduation experience in various capacities includes audit, financial accounting and she has worked in various public-listed companies. She holds a Bachelor of Accountancy from Nanyang Technological University and is a Chartered Accountant ("CA Singapore") of the Institute of Singapore Chartered Accountants ("ISCA").

## WONG AH KIOW

Financial Controller of Disa Digital Safety Pte. Ltd. ("DDSPL")

Ms. Wong was appointed in August 2010. She is a CA Singapore with ISCA. She is also a fellow member of Association of Chartered Certified Accountants and a member of Malaysian Institute of Accountants. She has many years of working experience in the manufacturing industry, both local companies listed in Malaysia and multinational company listed in Singapore. Prior to this, she was an external auditor. Her main responsibilities include overseeing the entire DDSPL group finance team, management reporting function as well as strategic financial planning and compliance related matters.

## HAN YANG KWANG

Chief Executive of Disa Digital Safety (Shenzhen) Limited

Mr. Han has been engaged in the manufacturing industry for more than 15 years. He started his career with Hewlett Packard and Texas Instruments. Mr. Han holds a Bachelor of Electrical and Electronics Engineering from National University of Singapore. Mr. Han is responsible for overall operations of Disa Digital Safety (Shenzhen) Limited, managing the Disa PoSA integration processes globally as well as overseeing the sales and marketing activities in USA.

## PHAM HOANG BAO

Head of Global Information Technology of DDSPL

Mr. Pham joined DDSPL in December 2016. He is responsible for the planning, implementation and operation of information technology. He was the Lead Solution Architect in CIMB Securities from 2011 to 2016. He holds a Master in Communication Software and Network and a Bachelor of Computer Engineering from Nanyang Technological University, Singapore.

## NG KAY CHOONG

Senior Vice President of Global Solution of DDSPL

Mr. Ng joined DDSPL in March 2017. He is responsible for the integration of the Disa solution into retail products. He has over 20 years of factory experience with different major production organizations. He holds a Bachelor of Engineering from Nanyang Technological University, Singapore.

## JACOB GULBRANSEN

Account Director of Disa Digital Safety (USA)

Mr. Gulbransen has over 14 years of retail sales and account management experience calling on major US retailers. He has extensive experience within the entertainment and electronics categories earning the "Supplier of the Year" award for electronics and the "People" award for putting the customer first. Mr. Gulbransen is responsible for the onboarding of the product brand owners in the adoption of the Group's technology into their products.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

***Independent Non-Executive Chairman***
Toh Hock Ghim

***Independent Non-Executive Directors***
Lau Kay Heng
Kan Ah Chye
Loh Eu Tse Derek

***Non-Independent and Non-Executive Director***
Lim Soon Hock

***Managing Director and Chief Executive Officer***
Chng Weng Wah

## AUDIT AND RISKS MANAGEMENT COMMITTEE

Lau Kay Heng (Chairman)
Toh Hock Ghim
Kan Ah Chye
Lim Soon Hock
Loh Eu Tse Derek

## NOMINATING COMMITTEE

Toh Hock Ghim (Chairman)
Lau Kay Heng
Kan Ah Chye
Lim Soon Hock
Loh Eu Tse Derek

## REMUNERATION COMMITTEE

Kan Ah Chye (Chairman)
Toh Hock Ghim
Lau Kay Heng
Lim Soon Hock
Loh Eu Tse Derek

## DATE OF INCORPORATION

26 June 1975

## LISTING

Listed on 24 March 1992 on Catalist

## REGISTERED OFFICE

6 Battery Road
#10-01
Singapore 049909
Telephone No. +65 6381 6888
Fax No. +65 6381 6967

## COMPANY SECRETARY

Chew Kok Liang

## AUDITORS

Mazars LLP
Chartered Accountants of Singapore
135 Cecil Street
#10-01 MYP Plaza
Singapore 069536
Tel : +65 6224 4022
Fax : +65 6225 3974
Partner-In-Charge: Chan Hock Leong
(a member of the Institute of Singapore Chartered Accountants)
*(Appointed with effect from financial year ended 30 June 2016)*

## SHARE REGISTRAR

RHT Corporate Advisory Pte. Ltd.
9 Raffles Place,
#29-01 Republic Plaza Tower 1,
Singapore 048619
Tel : +65 6381 6888
Fax : +65 6381 6967

## PRINCIPAL LEGAL ADVISER

Bih Li & Lee, Singapore

## PRINCIPAL BANKERS

The Development Bank of Singapore
United Overseas Bank Limited, Singapore
China Merchants Bank (Shenzhen),
People's Republic of China
First National Bank, USA

# FINANCIAL CONTENTS

## CONTINUING OPERATIONS
## REVENUE

Sales of DiSa codes under Technology segment became the major revenue contributor with an increase of $79,000 or 87.8% from $90,000 in FY2017 to $169,000 in FY2018. Overall, our Group's revenue dropped by 26.5% or $86,000 from $325,000 in FY2017 to $239,000 in FY2018 due to the decrease in revenue of Energy Management Services segment by 70.2% or $165,000 from $235,000 in FY2017 to $70,000 in FY2018.

## OTHER INCOME

Other income decreased by $190,000 or 35.4% from $536,000 in FY2017 to $346,000 in FY2018. This was due to loss of rental income stream from leasing in FY2017, which was partially offset by increase in interest income due to higher amount of fixed deposit placed with bank and gain on disposal of property, plant and equipment and joint ventures.

## EXPENSES

Total cost and expenses decreased by $7,822,000 or 43.3% from $18,085,000 in FY2017 to $10,263,000. This was mainly due to the absence of one-time items of approximately $10,134,000 from losses on disposal and liquidation of subsidiaries, waiver of debts, impairment of receivables, provision of legal expenses and fixed assets written off in FY2017. This was partially offset by higher operating lease expenses of $114,000 or 26.0% and employee benefit expense of $1,785,000 or 50.4% as the Group increased the scale of its operations. Other operating costs remained relatively stable.

Finance cost increased due to the interest accrued for the redeemable convertible bonds ("RCB") for a full year in FY2018 compared to FY2017 where interest had only accrued after shareholders' approval for the RCB was obtained on 13 February 2017.

## LOSS AFTER TAX

Due to the reasons above, the Group reduced its net loss before tax from continuing operations by $7,154,000 for FY2018.

## FINANCIAL POSITION

Total assets of the Group increased by $9,313,000 from $36,756,000 as at 30 June 2017 to $46,069,000 as at 30 June 2018 mainly due to the following:

(i) Increase in cash and balances of $10,429,000. Refer to explanation in "**CASH FLOWS**".

(ii) Property, plant and equipment increased by $526,000 as the Group purchased additional fixed assets due to the increase in the scale of its operation as well as relocation of the Singapore office. This was also in line with the increase in operating leases mentioned earlier. The above increase was offset by the decrease in intangible asset from $11,939,000 as at 30 June 2017 to $10,535,000 as at 30 June 2018 due to amortisation during FY2018.

Total liabilities of the Group remained relatively unchanged with a small increase of $593,000 from $18,162,000 as at 30 June 2017 to $18,755,000 as at 30 June 2018, and were mainly due to the following:

(i) Higher accrued interests as at 30 June 2018 arising from the RCB as explained earlier.

(ii) Both trade and other payables as well as accrued expenses increased as compared to FY2017 which was due to the increase in the scale of the Group's operations.

(iii) Deferred tax liabilities decreased by $239,000 as compared to FY2017 and this was mainly due to reduction in intangible assets as a result of yearly amortisation.

(iv) As the RCB is due within 12 months, there was a reclassification of the amount relating to the RCB from non-current liabilities as at 30 June 2017 to current liabilities as at 30 June 2018.

**CASH FLOWS**

Cash and cash equivalents increased by $10,433,000 in FY2018 when compared to FY2017, mainly due to funds generated/utilised as follows:

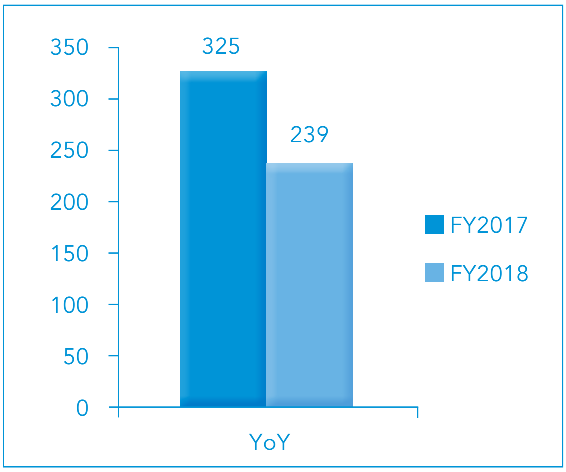
Net cash outflow for operating activities for FY2018 was $7,712,000. This comprised operating cash flows before working capital changes of $8,016,000 which was mainly due to the loss before income tax for the financial year and adjusted for net working capital inflow of $321,000. The net working capital inflow was due to decrease in trade and other receivables of $200,000; increase in trade and other payables of $148,000; offset by increase in other current assets of $27,000.

Net cash used in investing activities for FY2018 amounted to $240,000 which was mainly due to the purchase of property, plant and equipment of $538,000 which was offset by interest received of $297,000.

Net cash from financing activities for FY2018 amounted to $18,385,000 which was mainly due to proceeds from exercise of warrant of $18,988,000; partially offset by interest paid of $599,000, net refund of deposit placed as security of $11,000 and repayment of finance lease of $15,000.

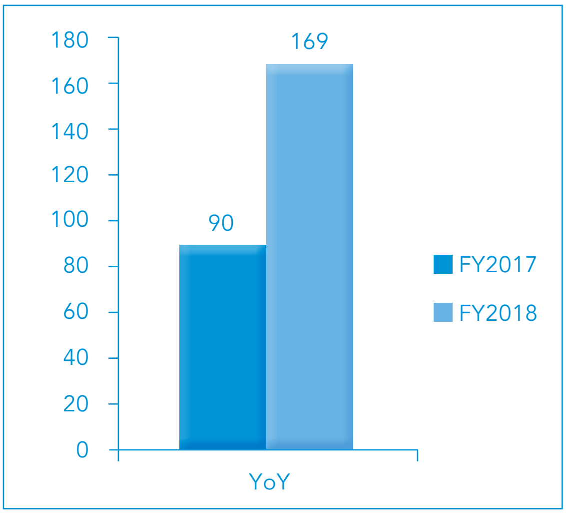
The Group ended the financial year with a cash and cash equivalents of $30,594,000, including $50,000 in pledged deposits.

Group Revenue ($'000)

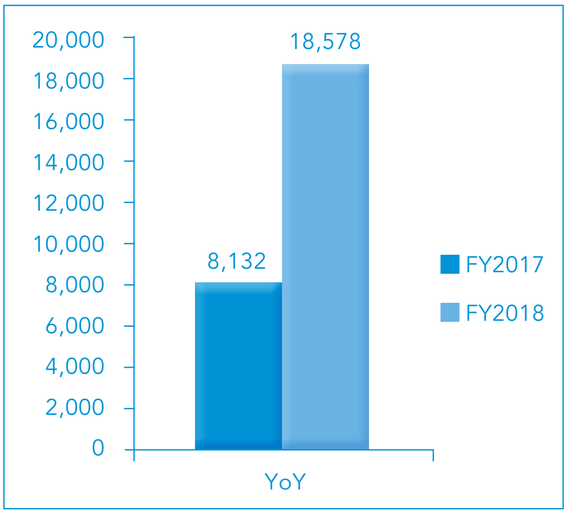


# OPERATING AND FINANCIAL REVIEW

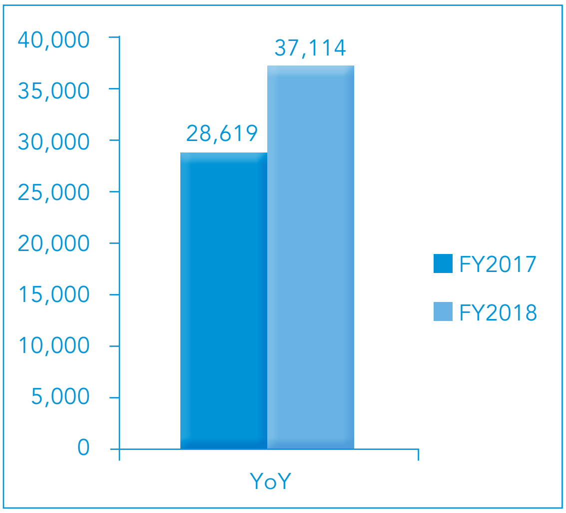
Technology Revenue ($'000)



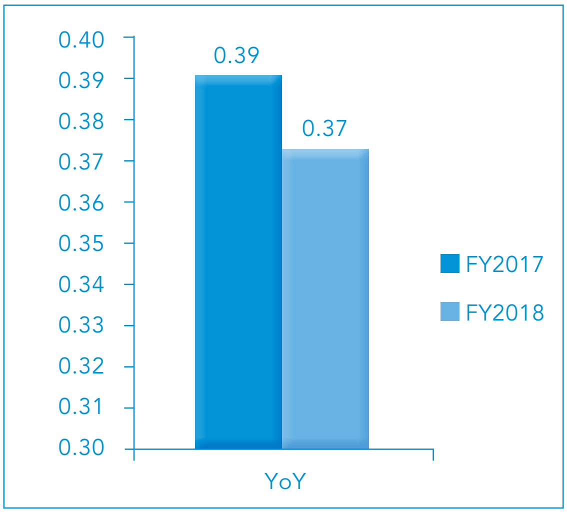

Net Cash ($'000)




Equity attributable to shareholders ($'000)




Net Assets Value per share (Cents)



# CORPORATE GOVERNANCE REPORT

DISA Limited ("DISA" or the "Company") is fully committed to maintaining high standards of corporate governance within the Company and its subsidiaries (collectively, the "Group"). The Board recognises the importance of good corporate governance and the offering of high standards of accountability to the shareholders.

This annual report describes the Company's corporate governance processes and activities for the financial year ended 30 June 2018 ("FY2018"), with specific references made to the principles and guidelines of the Code of Corporate Governance 2012 ("Code"). The Board confirms that for FY2018, the Company has adhered to the principles and guidelines as set out in the Code, where applicable, and has specified and explained deviations from the Code, if any, in this annual report.

### PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

| Guidelines of the Code | DISA's Corporate Governance practices |
|---|---|
| 1.1 The Board's role | The Board is accountable to the shareholders of the Company and oversees the overall management of the business and affairs of the Group, including providing leadership and supervision to the management of the Group so as to protect and enhance long-term value and returns for its shareholders.<br><br>Besides carrying out its statutory responsibilities, the Board's principal responsibilities include:<br><br>(1) guide the formulation of strategic directions, financial plans and major corporate policies;<br><br>(2) monitor and review the Group's financial and operating performance;<br><br>(3) review management performance;<br><br>(4) oversee the adequacy and integrity of the Group's internal controls, risk management, financial reporting and compliance;<br><br>(5) approve major investment and divestment proposals, material acquisitions and disposals of assets;<br><br>(6) assume responsibilities for good corporate governance practices;<br><br>(7) approve the release of the financial results and annual report of the Group to shareholders; and<br><br>(8) consider sustainability issues such as environmental and social factors as part of its strategic formulation. |
| 1.2 Board to objectively take decisions in the interests of the company | The Board exercises due diligence and independent judgement, and are obliged to act in good faith and objectively take decisions at all times as fiduciaries in the interest of the Company. |

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| 1.3 Delegation of authority, by the Board to any Board Committee, to make decisions on certain Board matters | To facilitate effective management, certain functions have been delegated to various board committees, namely the Nominating Committee ("NC"), Remuneration Committee ("RC") and Audit and Risks Management Committee ("ARMC") (collectively the "Board Committees"), each of which has its own defined scope of duties and written terms of reference setting out the manner in which it is to operate and the functions for achieving its stated objectives. The Chairman of the respective committees will report to the Board the outcome of the respective Board Committees' meetings. Minutes of the Board Committee meetings are made available to all Board members. The key terms of reference and composition of each Board Committee can be found in this report. |
| 1.4 The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings | The Board conducts regular scheduled meetings. Additional or ad-hoc meetings are convened when circumstances require. Board papers incorporating sufficient information from management are forwarded to the Board Members in advance of each Board Meeting to enable each Board member sufficient time to prepare for the meetings.<br><br>The Company's Constitution allows for a board meeting to be conducted by way of tele-conference, video-conference or other electronic communication facilities through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously.<br><br>At Board and Board Committee meetings, the Directors are free to discuss and openly challenge the views presented by Management and the other Directors.<br><br>In lieu of physical meetings, written resolutions are also circularised for approval by members of the Board.<br><br>The frequency of meetings and attendance of each director at every Board and Board Committee meeting, are disclosed below: |

**ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS**

| | Board | | Audit and Risks Management | | Nominating | | Remuneration | |
|---|---|---|---|---|---|---|---|---|
| Directors | No. of Meetings Held | Attendance | No. of Meetings Held | Attendance | No. of Meetings Held | Attendance | No. of Meetings Held | Attendance |
| Toh Hock Ghim (Chairman) | 4 | 3 | 4 | 3 | 1 | 0 | 1 | 0 |
| Chng Weng Wah (CEO) | 4 | 3 | NA | NA | NA | NA | NA | NA |
| Lau Kay Heng | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| Kan Ah Chye | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| Lim Soon Hock | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| Loh Eu Tse Derek | 4 | 3 | 4 | 3 | 1 | 1 | 1 | 1 |

*NA – Not Applicable*

<table>
<tr><th>Guidelines of the Code</th><th>DISA's Corporate Governance practices</th></tr>
<tr><td>1.5 The type of material transactions that require Board approval under internal guidelines</td><td>Matters which are specifically reserved for decision by the Board include, amongst others, those involving material acquisitions and disposals of assets, corporate or financial restructuring and share issuance, dividends and other returns to shareholders.<br><br>The Board also meets physically or by way of tele-conference, video-conferencing or other electronic communication facilities to review and consider, amongst others, the following corporate matters:<br><br>• approval of quarterly and year-end results announcements;<br>• approval of the annual report and financial statements;<br>• convening of shareholders' meetings;<br>• material acquisition and disposal of assets;<br>• major corporate actions;<br>• major investments and funding decisions;<br>• financial performance and key operational initiatives;<br>• interested person transactions; and<br>• overseeing the implementation of appropriate systems to manage the Group's business risk.</td></tr>
<tr><td>1.6 and 1.7 Directors to receive appropriate training. The Board should also disclose in the company's annual report, the induction, orientation and training provided to new and existing directors; Formal letter to be provided to directors, setting out duties and obligations upon appointment.</td><td>The Chief Executive Officer ("CEO") ensures that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group.<br><br>New directors, upon appointment, are briefed on the Group's structure, businesses, governance policies and regulatory issues. Newly appointed directors will also be provided with a formal letter setting out their duties and obligations.<br><br>First-time directors with no prior experience as a director of a publicly listed company in Singapore will also receive training courses organised by the Singapore Institute of Directors or other training institutions in areas such as accounting, legal and industry specific knowledge, where appropriate, in connection with their duties, as well as undergo training on the roles and responsibilities as directors of a listed company.<br><br>From time to time, the Company Secretary and the Company's auditors will advise the Directors or if necessary, conduct briefings to the Directors on the new accounting standards and corporate governance practices as well as updates them on any changes in the Companies Act and Listing Manual Section B: Rules of Catalist of the SGX-ST ("Rules of Catalist"). Directors may also request to visit the Group's operation facilities and meet with the management in order to have a better understanding of the Group's business operations.<br><br>The Directors are fully aware of the requirements in respect of their duties and obligations as a director and how to discharge those duties and obligations.<br><br>The Company has available budget and will arrange for Directors to receive further relevant training in connection with their duties. Relevant courses include programmes conducted by the Singapore Institute of Directors or other training institutions. The CEO also updates the Board at each Board meeting on business and strategic developments relating to the industry that the Group operates in.</td></tr>
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## PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

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| 2.1 and 2.2 There should be a strong and independent element on the Board. Independent directors to make up at least half of the Board, where the Chairman of the Board and the Chief Executive Officer are the same person. | As at the date of this annual report, the Board has six (6) directors (each a "Director" and collectively the "Directors"), which comprises one (1) Executive Director, four (4) Independent and Non-Executive Directors and one (1) Non-Independent Non-Executive Director. As a cornerstone to achieving high standards of corporate governance, there is a strong and independent element on the Board, with independent Directors making up four (4) out of six (6) members of the Board, including the Chairman of the Board. This enables the Board to exercise independent judgement on corporate affairs and provide Management with a diverse and objective perspective on issues and no individual or small group of individuals dominates the Board's decision-making process. The composition of the Company's Board and Board Committees is set out below: |

| | | | Board Committees As Chairman or Member | | |
|---|---|---|---|---|---|
| Directors | Date Appointed | Board Appointments<br>• Executive or Non-Executive Director<br>• Independent or Non-Independent Director | ARMC | NC | RC |
| Toh Hock Ghim (Chairman) | 11 January 2008 | Non-Executive/Independent | Member | Chairman | Member |
| Chng Weng Wah (CEO) | 3 February 2005 | Executive/Non-Independent | – | – | – |
| Lau Kay Heng | 1 September 2011 | Non-Executive/Independent | Chairman | Member | Member |
| Kan Ah Chye | 12 February 2012 | Non-Executive/Independent | Member | Member | Chairman |
| Lim Soon Hock | 11 May 2017 | Non-Executive/Non-Independent | Member | Member | Member |
| Loh Eu Tse Derek | 11 May 2017 | Non-Executive/Independent | Member | Member | Member |

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| 2.3 and 2.4 The Board should identify in the company's annual report, each director it considers to be independent. Board to explain when it deems a non-independent director as independent and when it considers an independent director who has served on the Board for more than nine years from the date of his first appointment, to be independent. | The independence of each Director is reviewed annually by the NC. Each Independent Director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code.<br><br>The NC adopts the Code's definition of what constitutes an independent director in its review and is of the view that the Independent Directors are independent of the Company, its related corporations, its 10% shareholders and its executive officers and there are no relationships that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company.<br><br>The independence of any Director who has served on the Board beyond nine years from the date of his first appointment will be subject to more rigorous review, taking into account the need for progressive refreshing of the Board.<br><br>Currently, the Chairman of the Board, Mr. Toh Hock Ghim ("Mr. Toh"), has served on the Board for more than ten (10) years from the date of his first appointment (11 January 2008).<br><br>In accordance with Guideline 2.4 of the Code, Mr. Toh has been subject to a rigorous review of his independence. Accordingly, the NC, in consultation with the Board, had reviewed rigorously and considered the independence of Mr. Toh and is of the view that Mr. Toh remains independent in character and judgement. In arriving at its conclusion, the NC and the Board took into consideration his participation in and recommendations to the Board and its Committees during meetings and discussion, the Board noted that Mr. Toh had provided impartial advice and insights, and exercised independence and objectivity at all times. The Board is also of the opinion that Mr. Toh continues to exercise independence and is effective in his oversight role as a check and balance on the acts of the Executive Directors and Management of the Company. Mr. Toh had abstained from the Board's and NC's review on this matter. |
| 2.5 Appropriate size of Board | The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive to effective discussion and decision-making and that the Board has an appropriate balance of independent directors. The Board is of the view that the current Board size and composition is appropriate, taking into account the scope and nature of the Group's operations. |
| 2.6 Board to comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Company; and with core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer based experience or knowledge. | The Board comprises respected individuals from different backgrounds and who as a group provides core competencies, such as business management experience, industry knowledge, financial and strategic planning experience and customer-based knowledge that are extensive and critical to meet the Group's objectives. Together, the Directors bring a wide and diverse range of business, finance and management experience that will provide effective governance and stewardship for the Group. Please refer to the "Board of Directors" section of the annual report for the Directors' profile. |

| Guidelines of the Code | DISA's Corporate Governance practices |
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| 2.7 Role of non-executive directors | The Board comprises four Independent Non-Executive Directors and one Non-Independent and Non-Executive Director who constructively challenge and help develop proposals on strategy; and review management's performance and monitor the reporting of performance. |
| 2.8 Meetings of non-executive directors without the presence of Management | Where warranted, the Non-Executive Directors meet without the presence of Management or Executive Director(s) to review any matter that may be raised privately. |

**PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")**

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

| Guidelines of the Code | DISA's Corporate Governance practices |
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| 3.1 Chairman and CEO should be separate persons; division of responsibilities should be clearly established | The roles of the Chairman and CEO are separate and their responsibilities are clearly defined to ensure a balance of power and authority within the Company.<br><br>The Chairman of the Board is Independent Non-Executive Director, Mr. Toh Hock Ghim. As Chairman of the Board, Mr. Toh is responsible for leading the Board and facilitating its effectiveness and his duties include promoting high standards of corporate governance.<br><br>The CEO, Mr. Chng Weng Wah, has full executive responsibilities of the overall business and operational decisions of the Company. |
| 3.2 Chairman's role | As part of his duties, the Chairman also ensures that Board meetings are held when necessary and sets the Board meeting agenda in consultation with the CEO, acting as facilitator at Board meetings and maintaining regular dialogue with the management on all operational matters. In addition, the Chairman ensures that board members are provided with complete, adequate and timely information, facilitates the effective contribution of non-executive directors, ensures there is effective communication with shareholders and promotes high standards of corporate governance. |
| 3.3 and 3.4 Appointment of lead independent director | There is no lead independent director appointed as the Chairman and CEO do not fall under any of the categories as defined in Guideline 3.3 of the Code. |

### PRINCIPLE 4: BOARD MEMBERSHIP

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

| Guidelines of the Code | DISA's Corporate Governance practices |
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| 4.1 NC to comprise at least three directors, majority of whom, including the NC Chairman should be independent. The Board should disclose in the company's annual report the names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board. | The NC comprises one (1) Non-Independent and Non-Executive Director and four (4) Independent Non-Executive Directors. Accordingly, majority of the NC, including the Chairman of the NC, is independent. The composition of the NC is set out on page 19 of this annual report.<br><br>The Chairman of the NC is not associated with the Company, its related corporations, its 10% shareholders and its officers.<br><br>The responsibilities of the NC are described in its written terms of reference. The NC's principal responsibilities include the following:<br><br>(1) make recommendations to the Board on all Board appointments;<br><br>(2) propose to re-nominate existing Directors, having regard to the Directors' contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director;<br><br>(3) assess annually whether or not a Director is independent;<br><br>(4) assess whether or not a Director is able to and has been adequately carrying out his duties as a Director;<br><br>(5) propose an objective performance criteria to evaluate the Board's performance, subject to the approval of the Board;<br><br>(6) reviewing training and professional development programs for the Board; and<br><br>(7) assess the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board, and to decide how the Board may be evaluated. |
| 4.2 NC responsible for re-nomination of directors; all directors should be required to submit themselves for re-nomination and re-election at regular intervals and at least every three years | The NC assesses and recommends re-appointments of Directors to the Board. Each member of the NC shall abstain from recommending his own re-election.<br><br>In accordance with Regulation 92 and 93 of the Company's Constitution, all Directors (except a Managing Director) shall retire from office once at least in each three years by rotation and all newly appointed directors will have to retire at the next Annual General Meeting ("AGM") following their appointments. The retiring directors are eligible to offer themselves for re-election.<br><br>Pursuant to Regulation 92 of the Company's Constitution, the NC has recommended two (2) Directors, namely Mr. Toh Hock Ghim and Mr. Kan Ah Chye be nominated for re-election at the forthcoming AGM of the Company (the "Nominations").<br><br>In considering the Nominations, the NC took into account the contribution of the Directors with reference to their attendance and participation at Board and other Board Committee meetings as well as the proficiency with which they have discharged their responsibilities. |

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| 4.3 NC to determine directors' independence annually | The NC has reviewed the independence of each Director for FY2018 in accordance with the Code's definition of independence and is satisfied that more than half of the Board comprised Independent Directors. The NC carries out the review of independence of each Director on an annual basis. |
| 4.4 NC to decide if a director who has multiple board representations is able to and has been adequately carrying out his/her duties as a director of the company. Internal guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards. The Board should determine the maximum number of listed company board representations which any director may hold, and disclose this in the company's annual report. | Notwithstanding that some of the Directors have multiple board representations, the NC is satisfied that each Director is able to and has been adequately carrying out his duties as Director of the Company. Taking into consideration that the current number of other listed company board representations of the Directors are not extensive, the Board is of the view that it may not be necessary at this juncture to set a maximum number of listed company board representations which any Director may hold. |
| 4.5 and 4.6 Avoid approving the appointment of alternate directors; Description of process for selection and appointment of new directors, including the search and nomination process, should be disclosed | Currently, there is no alternate Director on the Board.<br><br>The search and nomination process for new Directors, if any, will be through search companies, contacts and recommendations to cast its net as wide as possible for the right candidate. In identifying and evaluating nominees for appointment as Directors, the NC assesses the candidates based on their background, qualification, work experience and integrity. In the case of candidates for independent Directors, the NC will also consider the independence of such candidates. The NC reports the results of such assessments and makes recommendations to the Board for the Board to decide on the appointment. |
| 4.7 Key information regarding directors should be disclosed in the annual report; names of directors submitted for election or re-election should also be accompanied by details and information to enable shareholders to make informed decisions | The key information in respect of the Directors' academic and professional qualifications, date of first appointment as a Director, date of last re-appointment as a Director, present directorships or chairmanship and those held over the preceding three years in other listed companies and other principal commitments are set out in the "Board of Directors" section of the annual report. In addition, information on shareholdings in the Company held by each Director is set out in the Directors' Statement in "Financial Statements" section of the annual report.<br><br>In respect of the Nominations, there are no relationships including family relationships between the retiring Directors and the other Directors of the Company, the Company or its 10% shareholders. |

### PRINCIPLE 5: BOARD PERFORMANCE

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

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| 5.1 Board to implement process to assess the Board performance as a whole and for assessing the contribution by each individual director to the effectiveness of the Board. Assessment process should be disclosed in the annual report | Taking into consideration the current size of the Board and that four (4) out of the five (5) Non-Executive Directors are independent and each of all the three Board Committees comprises majority independent Directors, the NC has established review processes to assess the performance and effectiveness of the Board as a whole and its Board Committees and the assessment of the contribution by the Chairman and each individual Director to the effectiveness of the Board.<br><br>The NC will critically evaluate the Board's performance on a collective basis by means of a questionnaire that deals with matters on board composition, information to the board, board procedures, board accountability, CEO/top management and the standards of conduct. The objective of the performance evaluation exercise is to uncover strengths and challenges so that the Board is in a better position to provide the required expertise and oversight. There is no external facilitator engaged for the Board's assessment process for FY2018. |
| 5.2 NC should decide how the Board's performance may be evaluated and propose objective performance criteria; Performance criteria should address how the Board has enhanced long-term shareholders' value | The NC has conducted a formal assessment of the effectiveness of the Board on a collective basis for FY2018 by means of a questionnaire. The NC is satisfied with the effectiveness of the Board as a whole and also the contribution by each Director to the effectiveness of the Board. The NC is of the view that the Board, as a group, also possesses the necessary core competencies to direct the Company and Management to perform efficiently and effectively. |
| 5.3 Individual evaluation to assess directors' effectiveness in contributions and commitment to the role; Chairman should act on the results of the performance evaluation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of directors, in consultation with the NC | The NC, on an annual basis and in considering the reappointment of any director, will evaluate the performance of the director. The assessment of each director's performance is undertaken by the Chairman of the NC. The criteria for assessment include but not limited to attendance record at meetings of the Board and Board committees, intensity of participation at meetings and the quality of contributions. The NC, in concurrence with the Chairman of the Board, is satisfied that each Director is contributing to overall effectiveness of the Board. |

## PRINCIPLE 6: ACCESS TO INFORMATION

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

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| 6.1 Board members to be provided with complete and adequate information in timely manner; Board to have separate and independent access to the senior management | Board members are provided with adequate and timely information prior to Board meetings, and on an on-going basis. Requests for information from the Board are dealt with promptly by Management as needed for the Directors to make informed decisions. Board interaction with, and independent access to, the Management is encouraged.<br><br>The Board is informed of all material events and transactions as and when they occur. |
| 6.2 To include background and explanatory information, copies of budgets and forecast with explanations for any variances. | The Board is provided with management reports, and papers containing relevant background or explanatory information required to support the decision-making process on an on-going basis.<br><br>Proposals to the Board for decision or mandate sought by Management are in the form of memo or board papers that give the facts, analysis, resources needed, expected outcome, conclusions and recommendations.<br><br>However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed. |
| 6.3 Directors to have access to Company Secretary; Role of Company Secretary | The Directors have separate and independent access to Management and the Company Secretary. The Company Secretary administers and prepares minutes of Board Committees' meetings and Board meetings attended. Such minutes of meetings are circulated to the Board. The Company Secretary also assists the Board to ensure that Board procedures are followed and that applicable rules and regulations (in particular the Companies Act, (Chapter 50) of Singapore and Rules of Catalist) are complied with. The agenda for Board and Board Committee meetings are prepared in consultation with the Chairman, the chairpersons of the respective committees, and the CEO to ensure good information flow within the Board and Board Committees, as well as between Management and the Non-Executive Directors. The Company Secretary advises the Board on all governance matters and attends all Board and Board Committee meetings. |
| 6.4 Appointment and removal of the Company Secretary should be a matter for the Board as a whole | The Board, as a whole, is involved in the appointment and removal of the Company Secretary. |
| 6.5 Procedure for Board, in the furtherance of their duties, to take independent professional advice, if necessary, at the company's expense | The Directors, whether as a group or individually, may seek or obtain legal and other independent professional advice, concerning any aspect of the Group's operations or undertakings in order to fulfil their roles and responsibilities as directors. Any cost of obtaining such professional advice will be borne by the Company. |

### PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

| Guidelines of the Code | DISA's Corporate Governance practices |
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| 7.1 RC to consist entirely of Non-Executive Directors; majority including RC Chairman, must be independent. The Board should disclose in the company's annual report the names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board. | The RC comprises five (5) members, all of whom are Non-Executive Directors, majority of whom, including the Chairman of the RC, are Independent Directors. The composition of the RC is set out on page 19 of this annual report.<br><br>The RC is regulated by its terms of reference. The duties of the RC include the following:<br><br>(1) recommending to the Board a framework of remuneration for the Board, key management personnel of the Group and those employees related to the Executive Directors and controlling shareholders of the Group, covering all aspects of remuneration such as directors' fees, salaries, allowances, bonuses, options and benefits in kind;<br><br>(2) reviewing annually the remuneration, bonuses, pay increase and/or promotions of employees who are related to the Directors or substantial shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities;<br><br>(3) reviewing the Company's obligations arising in the event of termination of service contracts entered into between the Group and its Executive Directors or Executive Officers, as the case may be, to ensure that the service contracts contain fair and reasonable termination clauses which are not overly onerous to the Group;<br><br>(4) if necessary, seeking expert advice within and/or outside the Company on remuneration matters, ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants;<br><br>(5) reviewing annually the remuneration package in order to maintain their attractiveness to retain and motivate the Directors and executive officers and to align the interests of the Directors and executive officers with the long-term interests of the Company; and<br><br>(6) overseeing the administration of the DISA Employee Share Option Scheme and the DISA Performance Shares Scheme (refer to Principle 8.2 for further details of both schemes) or any other similar share plans as may be implemented by the Company from time to time and decide on the allocations and grants of such options or shares to eligible participants. |

| Guidelines of the Code | DISA's Corporate Governance practices |
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| 7.2 RC to recommend a framework of remuneration for each director and key management personnel; Recommendations should be submitted for endorsement by the entire Board; RC to review remuneration of key management personnel | The Company sets remuneration packages to ensure it is competitive and sufficient to attract, retain and motivate Directors and key management personnel of the required experience and expertise to run the Group successfully.<br><br>The RC recommends for Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees (where applicable), salaries, allowances, bonuses, share options, and benefits in kind and specific remuneration packages for each Director and key executive<br><br>No Director is involved in deciding his own remuneration. |
| 7.3 RC should seek expert advice, if necessary. The names and firms of the remuneration consultants and a statement on whether the remuneration consultants have any such relationships with the company should be disclosed | Where necessary, the RC shall seek expert advice inside and/or outside the Company on remuneration of all Directors. There was no remuneration consultant engaged for FY2018. |
| 7.4 RC should review the company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC should aim to be fair and avoid rewarding poor performance | The RC will also review the Company's obligations arising in the event of termination of the Executive Director's and key management personnels' contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses, which are not overly generous. |

## PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

| Guidelines of the Code | DISA's Corporate Governance practices |
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| 8.1 Package should align executive directors' and key management personnel interests with shareholders' interest and promote the long term success of the Company; Appropriate and meaningful measures to assess executive directors' and key management personnel performance | In determining the level of remuneration, the RC shall:<br><br>• give due consideration to the Code's principles and guidance notes on the level and mix of remuneration so as to ensure that the level of remuneration is appropriate to attract, retain and motivate Directors needed to run the Company successfully, taking into account of the risk policies of the Company and be symmetric with risks outcomes and be sensitive to the time horizon of risks;<br><br>• ensure that proportion of the remuneration is linked to corporate and individual's performance; and<br><br>• design remuneration packages in such manner to align interests of executive Directors and key management personnel with those of shareholders. |

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| | Annual review is carried out by the RC to ensure that the remuneration of the Executive Director and key management personnel is commensurate with the Company's and their performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO is reviewed periodically by the RC and the Board. |
| 8.2 Long-term incentive schemes are generally encouraged and the cost and benefits of long term incentive schemes should be carefully evaluated. | The Company has a share option scheme known as the DISA Employee Share Option Scheme (the "DISA ESOS") which serves as a long-term incentive scheme for the Directors and employees of the Company.<br><br>The DISA ESOS (the "ESOS 2010") was approved and adopted by members of the Company at an Extraordinary General Meeting ("EGM") held on 28 October 2010 ("Date of Adoption"). The ESOS 2010 shall continue to be in force at the discretion of the Company subject to a maximum period of 10 years commencing from the Date of Adoption till 27 October 2020. Controlling shareholders of the Company or associate of controlling shareholders shall not participate in the ESOS 2010, unless it has been approved by the independent shareholders in general meeting in separate resolutions for each such person and, in respect of each such person, in separate resolutions for each (i) his participation and (ii) the actual number of shares and terms of any option to be granted to him.<br><br>During FY2018, the Company granted an aggregate of 250,000,000 share options pursuant to the ESOS 2010.<br><br>The Company has also a performance shares scheme known as DISA Performance Shares Scheme ("DISA PS Scheme") which serves to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to improve their performance. Shareholders have approved the ECL PS Scheme on 31 October 2008. The renewal of the DISA PS Scheme is subject to the approval of shareholders being sought at an extra ordinary general meeting to be held on 26 October 2018. Further details on the proposed renewal of the DISA PS Scheme is being set out in the Circular to Shareholders dated 3 October 2018.<br><br>No awards were granted under the DISA PS Scheme during FY2018.<br><br>The ESOS 2010 is administered by a committee comprising Mr. Lau Kay Heng (Chairman), Mr. Chng Weng Wah and Mr. Toh Hock Ghim. The DISA PS Scheme is administered by a committee comprising Mr. Toh Hock Ghim (Chairman), Mr. Chng Weng Wah and Mr. Lau Kay Heng. However, no member of the committee shall be involved in any deliberation in respect of options or awards to be granted to him. |
| 8.3 Remuneration for non-executive directors should be appropriate to level of contribution, effort, time spent and responsibilities. Non-executive directors should not be over-compensated to the extent that their independence may be compromised | The Non-Executive Directors do not have any service contracts. Each of them is paid a basic fee, determined by the full Board based on their level of contribution and scope of responsibilities. The Chairman of the Board also receives a minimal fee for chairing the Board meeting. These fees are subject to approval by shareholders as a lump sum payment at the AGM of the Company. The Board, together with the NC, ensures that the Independent Non-Executive Directors are not compensated to the extent that their independence is compromised. |

| Guidelines of the Code | DISA's Corporate Governance practices |
|---|---|
| 8.4 Companies are encouraged to consider the use of contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company. | The Company does not have contractual provisions to allow the reclaim of incentive components of remuneration from executive Directors and key management personnel. The RC, together with the Board, will monitor and re-assess at the appropriate juncture again on whether such contractual provisions are necessary. |

### PRINCIPLE 9: DISCLOSURE ON R1EMUNERATION

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

| Guidelines of the Code | DISA's Corporate Governance practices |
|---|---|
| 9.1, 9.2 & 9.3 Remuneration of directors, the CEO and at least the top 5 key management personnel (who are not directors) should be reported to shareholders annually. The company should fully disclose the remuneration of each individual director and the CEO on a named basis. For the top 5 key management personnel, the company should name and disclose the remuneration in applicable bands of $250,000 and disclose in aggregate the total remuneration paid to the top 5 key management personnel (who are not directors or the CEO) | Directors' Remuneration<br><br>There are both fixed and variable components to the Executive Director's remuneration. The variable components are tied to the Group's performance.<br><br>Given the highly competitive condition of the Company's industry and that the total directors' fees payable to Directors are subject to shareholders' approval, the Company believes that the full disclosure of each Director's remuneration as recommended by the Code may not be in the best interest of the Company. A breakdown showing the level and percentage mix of each individual Director's remuneration paid/payable for FY2018 are as follows: |

| | Remuneration Band | Salary & Fees | Performance Related Income/ Bonuses | Other Benefits* | Total Remuneration |
|---|---|---|---|---|---|
| | $ | % | % | % | % |
| **Executive Director** | | | | | |
| Chng Weng Wah | Between 1,000,000 and 1,250,000 | 89 | – | 11 | 100 |
| **Non-Executive Directors** | | | | | |
| Toh Hock Ghim | <250,000 | 61 | – | 39 | 100 |
| Lau Kay Heng | <250,000 | 64 | – | 36 | 100 |
| Kan Ah Chye | <250,000 | 55 | – | 45 | 100 |
| Lim Soon Hock | <250,000 | 69 | – | 31 | 100 |
| Loh Eu Tse Derek | <250,000 | 53 | – | 47 | 100 |

* *Other Benefits include amongst other things, allowances*

<table>
<tr><th>Guidelines of the Code</th><th>DISA's Corporate Governance practices</th></tr>
<tr><td></td><td>Top 5 Key Management Personnel<br><br>For FY2018, the Group has 8 key management personnel. The remuneration of the top 5 key management personnel (who are not Directors or the CEO of the Company) of the Group are set out below in bands of $250,000. The aggregate remuneration of the top 5 key management personnel for FY2018 is $2,152,000 which include the grant of share options of the Company. Given the highly competitive conditions of the Company's industry, the Company believes that the full disclosure and breakdown of each key management personnel's remuneration as recommended by the Code may not be in the best interest of the Company. The names of the key management personnel are not disclosed to maintain the confidentiality of the remuneration packages of these key executives.<br><br>
<table>
<tr><th>Remuneration Bands $</th><th>No. of Executives</th></tr>
<tr><td>Between 250,000 and 500,000</td><td>6</td></tr>
<tr><td>Between 500,000 and 750,000</td><td>2</td></tr>
</table>
<br>No termination, retirement and post-employment benefits is granted to our Directors, CEO and the top 5 key management personnel of the Group during FY2018.</td></tr>
<tr><td>9.4 Disclose remuneration details of employees who are immediate family members of a director or the CEO, and whose remuneration exceed $50,000 during the year</td><td>Mr. Chng Weng Huat, is the sibling of our CEO, Mr. Chng Weng Wah. Mr. Chng Weng Huat is employed by the Company's wholly owned subsidiary, Disa Digital Safety Pte Ltd as a Solutions Director effect from 1 May 2017, and received remuneration in that respective capacity.<br><br>A breakdown showing the percentage mix of Mr. Chng Weng Huat's remuneration paid/payable for FY2018 are as follows:<br><br>
<table>
<tr><th>Remuneration Band $</th><th>Salary %</th><th>Bonuses %</th><th>Other Benefits* %</th><th>Total Remuneration %</th></tr>
<tr><td>Between 250,000 to 500,000</td><td>36</td><td>–</td><td>64</td><td>100</td></tr>
</table>
<br>* Other Benefits include amongst other things, allowances</td></tr>
<tr><td>9.5 Details of employee share scheme</td><td>Details of the DISA Employee Share Option Scheme and DISA Performance Shares Scheme are set out under Principle 8.2 above, as well as the Directors' Statement on pages 49 to 54 of the annual report.</td></tr>
<tr><td>9.6 Companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance.</td><td>The Company's remuneration system is flexible and responsive to the market and the performance of the Company and the individual executive Director or key management personnel. The total remuneration mix comprises annual fixed cash and annual performance incentive. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances. The annual performance incentive is tied to the performance of the Company and the individual executive Director or key management personnel. Taking into consideration the nature of the Company's business activities, certain performance measurements include key financial targets and operational efficiency indicators.The report on the remuneration of top five key management personnel (who are not Directors) of the Company is disclosed under Principle 9.1 above.</td></tr>
</table>

### PRINCIPLE 10: ACCOUNTABILITY

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

| Guidelines of the Code | DISA's Corporate Governance practices |
|---|---|
| 10.1 & 10.2 Board's responsibility to provide balanced, understandable assessment of company's performance, position and prospects; Board should take adequate steps to ensure compliance with legislative and regulatory requirements. | The Board provides shareholders with quarterly and annual financial reports within the legally prescribed periods. Results for the first three quarters are released to shareholders within 45 days of the end of the quarter. Annual results are released within 60 days of the financial year-end. In our financial result announcements to shareholders, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's performance, position and prospects.<br><br>To ensure compliance with legislative and regulatory requirements, including requirements under the Rules of Catalist, the Board, through management, reviews the relevant compliance reports and ensure that management seeks the Board's approval of such reports or requirements. |
| 10.3 Management should provide Board with management accounts on a monthly basis | Management provides the Executive Directors with a monthly financial report. Monthly meetings are conducted involving the Management and the respective business units heads. Additional or ad-hoc meetings are conducted, when required.<br><br>Management make presentations to the Board on a quarterly basis on the financial performance of the Group, or as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects. |

### PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

| Guidelines of the Code | DISA's Corporate Governance practices |
|---|---|
| 11.1 & 11.2 Board to determine the company's levels of risk tolerance and risk policies and to review the adequacy and effectiveness of the company's risk management and internal control systems, including financial, operational, compliance and information technology controls established by management at least annually | The Board oversees Management in the area of risk management and internal control system. The Board regularly reviews and improves the Company's business and operational activities to identify areas of significant risks as well as take appropriate measures to control and mitigate these risks.<br><br>Management highlights and discusses (if any) salient risk management matters to the Board on a quarterly basis. The Company's risk management framework and internal control system covers financial, operational, compliance and information technology risks and internal controls. The Board reviews the adequacy and effectiveness of the Company's risk management framework and internal control system annually. For FY2018, the internal audit of the Group was outsourced to a third party professional firm. The ARMC evaluates the findings of the external and internal auditors on the Group's internal controls annually. |

| Guidelines of the Code | DISA's Corporate Governance practices |
|---|---|
| 11.3 Board's comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's annual report. The Board should also comment in the company's annual report on whether it has received assurance from the CEO and the Chief Financial Officer ("CFO"). | Although the Board acknowledges that it is responsible for the overall internal control framework, it also recognises that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.<br><br>Based on the internal control policies and procedures established and maintained by the Group, and the continuous effort at enhancing such controls and procedures, and the regular audits, monitoring and reviews performed by the internal and external auditors, the Board, with the concurrence of the ARMC, is of the opinion that the Group has a robust and effective internal control system addressing financial, operational, compliance and information technology controls and risk management system that is adequate to meet the needs of the Group in its current business environment.<br><br>The Board has also received assurance from the CEO and CFO:<br><br>(a) that the financial records have been properly maintained and the financial statements for the financial year ended 30 June 2018 give a true and fair view of the Company's operations and finances; and<br><br>(b) the Company's risk management and internal control systems including financial, operational, compliance and information technology controls, and risk management systems are effective. |
| 11.4 Establishment of a separate board risk committee or otherwise assess appropriate means to assist the Board in carrying out its responsibility of overseeing the company's risk management framework and policies | The ARMC of the Company has been assisting the Board in carrying out, among other things, its responsibility of overseeing the Group's risk management framework and policies. |

### PRINCIPLE 12: AUDIT AND RISKS MANAGEMENT COMMITTEE

The Board should establish an Audit and Risks Management Committee ("ARMC") with written terms of reference which clearly set out its authority and duties.

| Guidelines of the Code | DISA's Corporate Governance practices |
|---|---|
| 12.1 AC should comprise at least three directors, all non-executives, and the majority of whom including the chairman, are independent. The Board should disclose the names of the members of the AC, its key terms of reference, explaining its role and authority delegated to it by the Board | The ARMC comprises five (5) members, all of whom are Non-Executive Directors, majority of whom, including the Chairman of the ARMC, are Independent Directors. The composition of the ARMC is set out on page 19 of this annual report.<br><br>The profiles of the ARMC members are set out on pages 7 and 8 of this annual report. The key terms of reference of the ARMC, its role and authority are further detailed in Principle 12.4 of this corporate governance report. |
| 12.2 Board to ensure AC members are appropriately qualified to discharge their responsibilities | The Board considers the members of the ARMC to be qualified to discharge the responsibilities of the ARMC as four members of the ARMC, including the Chairman of the ARMC, have accounting or related financial management expertise or experience. |

| Guidelines of the Code | DISA's Corporate Governance practices |
|---|---|
| 12.3 AC to have explicit authority to investigate any matter and have full access and co-operation by management, and reasonable resources to discharge its functions | The ARMC is authorised by the Board to investigate into any activity within its terms of reference. It has unrestricted access to information relating to the Group, to both internal and external auditors and has full discretion to invite any Director or executive officer to attend its meetings. The ARMC has expressed power to commission investigations into any matters, which has or is likely to have material impact on the Group's operating results and/or financial position. The ARMC has adequate resources to enable it to discharge its responsibilities properly. |
| 12.4 Duties of the AC | The ARMC is regulated by its terms of reference and meets at least four times a year and as warranted by circumstances, to perform the following functions:<br><br>(1) review significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;<br><br>(2) review of the external auditors' audit plan and their evaluation of the Group's systems of internal controls;<br><br>(3) review the scope and results of the external audit and its cost effectiveness;<br><br>(4) review the co-operation given by management to the external auditors;<br><br>(5) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Company or the Group's results or financial position;<br><br>(6) review the Group's financial results, external auditors' reports and the results announcements before submission to the Board for approval;<br><br>(7) making recommendations and nominating external auditors for appointment and re-appointment and reviews their independence and objectivity;<br><br>(8) approving the remuneration and terms of engagement of the external auditors;<br><br>(9) review interested person transactions, if any, and potential conflict of interests;<br><br>(10) review the adequacy of the Group's material internal controls (including financial, operational, compliance and information technology controls) and risk management policies as well as the effectiveness of the Group's internal audit function;<br><br>(11) review the scope and results of the internal audit procedures;<br><br>(12) review arrangements by which staff of the Group may, in confidence raise concerns about possible improprieties in matters of financial reporting or other matters, so as to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action; and<br><br>(13) assist the Board in ensuring that the Management maintains a sound system of risk management and internal controls to safeguard shareholder's interest and the Company's assets, and to determine the nature and extend of significant risk which the Board is willing to take in achieving its strategic objectives. |

| Guidelines of the Code | DISA's Corporate Governance practices |
|---|---|
| | Minutes of the ARMC meetings are regularly submitted to the Board for its information and review.<br><br>In the review of the financial statements for FY2018, the ARMC had discussed with Management and the External Auditors on significant issues and assumptions that impact the financial statements. The most significant matters have also been included in the Independent Auditors' Report to the members of the Company under "Key Audit Matters", namely (i) Impairment assessment of intangible assets, (ii) Recoverability of trade receivables, (iii) Impairment assessment of available-for-sale investments, (iv) Impairment assessment of investments in subsidiaries. Based on its review as well as discussion with Management and the External Auditors, the ARMC is satisfied that those matters, including the 4 Key Audit Matters, have been properly dealt with and recommended the Board to approve the financial statements for FY2018 and the Board has approved them. |
| 12.5 AC to meet internal and external auditors, without presence of the management, at least annually | For FY2018, the ARMC met with the external and internal auditors without the presence of the Management for the purpose of facilitating discussion of the responses by Management on audit matters. The ARMC has reviewed the findings of the auditors and the assistance given to the auditors by the Management. |
| 12.6 AC to review independence of external auditors annually and to state the aggregate amount of fees paid to the external auditors and a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement. | During the financial year under review, the fees paid to the external auditors of the Company, Mazars LLP (the "External Auditors"), for audit amounted to $66,000. No non-audit service fee was paid to the External Auditors.<br><br>The ARMC has conducted a review and noted that there are no non-audit services provided by the External Auditors during FY2018 and is satisfied with the independence and objectivity of the External Auditors. The ARMC constantly bears in mind the need to maintain a balance between the independence and objectivity of the External Auditors and the work carried out by the External Auditors based on value-for-money considerations. The External Auditors have unrestricted access to the ARMC.<br><br>In addition, the ARMC has reviewed the adequacy of the resources, experience of the External Auditors and of the audit engagement partner assigned to the audit. The ARMC is satisfied that the external auditors are able to meet their audit obligations. Both the ARMC and the Board have reviewed and noted that there is no appointment of different auditors for its subsidiaries, and/or significant associated companies. Accordingly, the Company has complied with Rule 712 and Rule 715 of the Rules of Catalist.<br><br>Mazars LLP has serves as auditors for three (3) consecutive audits since the financial year ended 30 June 2016. The ARMC is of the view that a change of External Auditors is in the best interests of the Company and the shareholders as the quantum of professional fees for the audit services proposed by Crowe Horwath First Trust LLP is more competitive in comparison to that charged by Mazars LLP. The ARMC had recommended and the Board had approved the nomination to appoint Crowe Horwath First Trust LLP as the Company's external auditor for the financial year ending 30 June 2019 subject to the approval of Shareholders. |

| Guidelines of the Code | DISA's Corporate Governance practices |
|---|---|
| 12.7 AC to review arrangements for staff to raise concerns about possible improprieties to AC. The existence of a whistle blowing policy should be disclosed in the company's annual report | The Group has in place, a whistle-blowing policy where employees of the Group and the public can raise, in confidence, concerns about possible improprieties. Such a policy serves to encourage and provide a channel for staff to report in good faith and without fear of reprisals, concerns about possible improprieties in financial reporting or other matters to any member of the ARMC.<br><br>Details of the whistle-blowing policies and arrangements have been made available to all employees. Members of the public can also refer to the Company's website for whistle-blowing arrangements. During the financial year under review, there was no report of any whistle-blowing incidents being made to the ARMC. |
| 12.8 Disclose a summary of the AC's activities in the company's annual report and also measures taken by the AC members to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements | In FY2018, the ARMC has reviewed, with the Management and the External Auditors, the results of the Group before submitting them to the Board for its approval and announcement of the financial results. The ARMC also reviewed and monitored the Group's financial condition, internal and external audit reports, exposure to risks and the effectiveness of the Group's system of accounting and internal controls.<br><br>The ARMC also monitors proposed changes in accounting policies, reviews the internal audit functions and discusses accounting implications of major transactions including significant financial reporting issues.<br><br>In its review of the financial statements for FY2018, the ARMC is of the view that the financial statements are fairly presented in conformity with the relevant Singapore Financial Reporting Standards in all material aspects.<br><br>Upon request by any ARMC member, the Company will sponsor him for any relevant regulatory update courses. The ARMC members also receive and discuss any accounting standards update from its external auditors, whenever material changes in accounting standards affecting the Group arise.<br><br>For FY2018, the External Auditors presented to the ARMC the audit plan and updates relating to any change of accounting standards which have a direct impact on the financial statements during the ARMC meetings. During the FY2018, the adoption of new and/or revised accounting standards did not result in any substantial changes or significant impact on the Group's financial statements. |
| 12.9 A former partner or director of the company's existing auditing firm should not act as a member of the company's AC under certain conditions prescribed by the Code | No ARMC member is a former partner or director of the Company's auditing firm. |

### PRINCIPLE 13: INTERNAL AUDIT

The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

| Guidelines of the Code | DISA's Corporate Governance practices |
|---|---|
| 13.1, 13.2, 13.3 and 13.4 Internal Auditors ("IA") to report to AC chairman, and to CEO administratively; AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the outsourced internal audit firm; AC to ensure IA function is adequately resourced; IA function staffed with persons with the relevant qualifications and experience; IA meet standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors | The size of the existing operations of the Group does not warrant the Group to have an in-house internal audit team. The Group has outsourced its internal audit function to Yang Lee & Associates ("Internal Auditors") to carry out internal audit review using a risk-based approach. The ARMC approves the hiring, removal, evaluation and compensation of the internal audit function.<br><br>The Internal Auditors has unfettered access to all the Company's documents, records, properties and personnel, including access to the ARMC.<br><br>The internal audit in-charge is a qualified accountant with many years of internal audit experience. The internal audit has been carried out in accordance with the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. |
| 13.5 AC to review adequacy and effectiveness of internal audit function, at least annually | The Internal Auditors plans its internal audit plan annually, following a risk assessment exercise, in consultation with, but independent of Management. The internal audit plan is submitted to the ARMC for approval prior to the commencement of the internal audit.<br><br>Internal audit reports are distributed to and discussed with the ARMC. The ARMC oversees and monitors the implementation of the improvements required on internal control weaknesses identified.<br><br>The ARMC has full access to and the co-operation of the management and Internal Auditors, ensuring that the internal audit function is adequately and effectively resourced to perform its function. |

### PRINCIPLE 14: SHAREHOLDER RIGHTS

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

| Guidelines of the Code | DISA's Corporate Governance practices |
|---|---|
| 14.1 Facilitate the exercise of ownership rights by all shareholders. Shareholders to be sufficiently informed of changes in the company or its business which would be likely to materially affect the price or value of the company's shares | The Group's corporate governance culture and awareness promotes fair and equitable treatment for all shareholders. All shareholders enjoy specific rights under the Companies Act and the Constitution of the Company. All shareholders are treated fairly and equitably. The Group respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure pertaining to changes in the Group or its business which would be likely to materially the price or value of the Company's shares. |

| Guidelines of the Code | DISA's Corporate Governance practices |
|---|---|
| 14.2 Ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. | Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company. At general meetings, shareholders will be informed of the rules and voting procedures relating to the general meetings. |
| 14.3 Allow corporations which provide nominee or custodial services to appoint more than two proxies. | The Company's Constitution does allow a shareholder (who is not the Central Depository (Pte) Limited; and who is also not a relevant intermediary, as defined in Section 181(6) of the Companies Act) to vote either in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a shareholder. Pursuant to the Companies (Amendment) Act 2014, the Company has tabled at the forthcoming Extraordinary General Meeting ("EGM") the proposed amendments to the Company's Constitution whereby a shareholder of the Company who is a relevant intermediary (as defined in Section 181(6) of the Companies Act), may appoint more than two proxies to attend, speak and vote at the AGM. |

**PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS**

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

| Guidelines of the Code | DISA's Corporate Governance practices |
|---|---|
| 15.1 and 15.2 Company to regularly convey pertinent information and disclosure of information should be as descriptive, detailed and forthcoming as possible; and information should be disclosed on timely basis | The Board is mindful of the obligation to keep shareholders informed of all major developments that affect the Group in accordance with the Rules of Catalist. Price sensitive information is publicly released via the SGXNet.<br><br>Information is communicated to shareholders on a timely and non-selective basis through:<br><br>• annual reports that are prepared and issued to all shareholders within the mandatory period;<br><br>• public announcements via the SGXNet system and the Company's corporate website; and<br><br>• notices of shareholders' meetings on SGXNet and advertised in a newspaper in Singapore. |
| 15.3 and 15.4 The Board should establish and maintain regular dialogue with shareholders, to gather views or inputs and address shareholders' concerns. The Board should state in the annual report, steps it has taken to solicit and understand the views of the shareholders. | Shareholders are encouraged to attend and raise questions to the Directors at the Company's general meetings. At these meetings, shareholders are given the opportunity to voice their views and raise issues either formally or informally. These meetings provide excellent opportunities for the Board to engage with shareholders to solicit their feedback.<br><br>The Company's website at www.digital-safety.com is another channel to solicit and understand the views of the shareholders. |

| Guidelines of the Code | DISA's Corporate Governance practices |
|---|---|
| 15.5 Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders. Where dividends are not paid, the companies should disclose their reasons | The Company does not have a formalised dividend policy. The Board will need to further assess its on-going financial and operational requirements before arriving at any decision relating to the payment of dividends. No dividend was declared for FY2018 as the Company has incurred a loss in FY2018. Any dividend payouts are clearly communicated to shareholders in public announcements and via announcements on the SGXNET when the Company discloses its financial results. |

### PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

| Guidelines of the Code | DISA's Corporate Governance practices |
|---|---|
| 16.1 and 16.3 Shareholders should be allowed to vote in person or in absentia; presence of AC, NC, RC chairpersons and auditors at AGMs | The Company's Constitution allows a member of the Company to appoint up to two proxies to attend and vote in place of the member. Pursuant to the Companies (Amendment) Act 2014, the Company has tabled at the forthcoming EGM amendment of the Company's Constitution whereby a shareholder of the Company who is a relevant intermediary (as defined in Section 181(6) of the Companies Act), may appoint more than two proxies to attend, speak and vote at the AGM.<br><br>The Company's Constitution allows a member of the Company to appoint up to two proxies to attend and vote in place of the member. |
| 16.2 Separate resolutions at general meetings on each substantially separate issue | Each item of special business included in the notice of the general meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for each separate issue at the meeting. |
| 16.4 Companies are encouraged to prepare minutes of general meetings and to make these available upon request | All minutes of general meetings, and a summary of the relevant questions and answers raised at general meetings are made available to shareholders upon reasonable request. |
| 16.5 Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling | All resolutions tabled in the AGM are voted by poll, counted and validated by independent scrutineer and announcement of the detailed results of the general meetings will be released on the SGXNET after the general meetings. |

### INTERNAL CODE ON DEALING IN SECURITIES

| Rules of Catalist | DISA's Corporate Governance practices |
|---|---|
| Rule 1204 (19) of the Rules of Catalist | In line with Rule 1204 (19) of the Rules of Catalist, the Company has adopted an internal code on dealing in the Company's securities. All Directors and officers of the Company are not allowed to deal in the Company's shares during the period commencing two weeks or one month before the announcement of the Company's quarterly and annual results respectively and ending on the date of the announcement of the results.<br><br>In addition, all Directors and employees are required to observe insider trading laws at all times and are prohibited from trading whilst in possession of unpublished price-sensitive information of the Group. They are also discouraged from dealing in the Company's shares on short-term considerations. |

## MATERIAL CONTRACTS

| Rules of Catalist | DISA's Corporate Governance practices |
|---|---|
| Rule 1204 (8) of the Rules of Catalist | Save for the service agreement entered into between the CEO and the Company, there were no other material contracts entered into by the Company and subsidiaries involving the interests of the CEO, each Director or controlling shareholder which were either subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year. |

## INTERESTED PERSON TRANSACTION ("IPT") POLICY

<table>
<tr><th>Rules of Catalist</th><th>DISA's Corporate Governance practices</th></tr>
<tr><td>Rules 907 and 920 of the Rules of Catalist</td><td>
The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the ARMC and that transactions are conducted at arm's length and not prejudicial to the interests of the Company and minority shareholders.
Details of interested person transactions for FY2018 as required under Rule 907 of the Rules of Catalist are set out as follows:
<table>
<tr><td></td><td>Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920</td><td>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)</td></tr>
<tr><td>Name of interested person</td><td>S$'000</td><td>S$'000</td></tr>
<tr><td>Circle Globe Limited*<br>Leasing of office space from Circle Globe Limited.</td><td>109</td><td>–</td></tr>
</table>
* Wholly owned by Chng Weng Wah
The ARMC has reviewed, and is satisfied that the transactions are conducted at arm's length and on terms that are fair and reasonable. The ARMC and the Board of Directors are satisfied that the terms of the above transactions are not prejudicial to the interests of the Company or its minority shareholders.
</td></tr>
</table>

### RISK MANAGEMENT

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant controls, policies and procedures and highlights all significant matters to the ARMC and the Board. The risk issues are outlined in Note 32 of the financial statements.

### USE OF PROCEEDS

A report on the use of proceeds from a placement via placement agent of 300,000,000 Shares on 13 December 2016 ("Placement"), reedeemable convertible bonds of S$12 million on 23 December 2016 ("RCB") and proceeds from the exercise of warrants pursuant to the issue of warrants on 3 August 2015 ("Warrant Exercise"), for the intended purposes of the Group's general working capital, business expansion and for other acquisition and/or investments by the Group is appended as follows:

| | Placement<br>$'000 | Warrants<br>Exercise<br>$'000 | RCB<br>$'000 |
|---|---|---|---|
| Net proceeds raised | 2,970 | 25,497 | 12,000 |
| Less: Utilisations | | | |
| Working capital expenditures (Note a) | (1,394) | (5,350) | – |
| Business expansion (Note b) | – | (10,144) | – |
| Repayment of loans (Note c) | – | (1,173) | – |
| Repayment of accrued interest from convertible loan | (1,576) | – | – |
| Balance as at 30 June 2018 | **–** | **8,830** | **12,000** |

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

Note b: Additional Investment in Disa Digital Safety Pte. Ltd.

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

### CATALIST SPONSOR

The Continuing Sponsor of the Company is SAC Capital Private Limited ("Sponsor"). There were no non-sponsor fees paid to the Sponsor by the Company during FY2018.

## 1. BOARD'S STATEMENT

We affirm our commitment to sustainability with the publication of our maiden sustainability report (the "Report") guided by the Global Reporting Initiative ("GRI") Standards: Core option. For this Report, we provide insights into the way we do business, while highlighting our environmental, social, governance ("ESG") factors determined and economic performance.

Whilst mindful of our profit oriented objective, we are committed to strike a balance between growth, profit, governance, environment, the development of our people and well-being of our communities to secure the long term future of our Group. This commitment is reflected in our sustainable business strategy and the material ESG factors which are shown in this Report.

A sustainability policy ("SR Policy") covering our sustainability strategies, reporting structure, materiality assessment and processes in identifying and monitoring material ESG factors has been established and serves as a point of reference in the conduct of our sustainability reporting. Under this SR Policy, we will continue to monitor, review and update our material ESG factors from time to time, taking into account the feedback that we receive from our engagement with our stakeholders, organizational and external developments.

## 2. REPORTING FRAMEWORK

In preparing this sustainability report, we were guided by the Global Reporting Initiative ("GRI") Standards: Core option.

## 3. REPORTING PERIOD AND SCOPE

This Report is applicable for our financial year from 1 July 2017 to 30 June 2018 ("FY2018"). A sustainability report will be published annually in accordance with our SR Policy.

As the Group is largely focused on the Technology business segment, this Report covers the key operating entities within the Group under the Technology business segment.

## 4. FEEDBACK

We welcome feedback from all stakeholders on this Report. You may send related questions, comments, suggestions or feedback to our investor relations email account: investors@digital-safety.com

## 5. STAKEHOLDER ENGAGEMENT

Our efforts on sustainability are focused on creating sustainable value for our key stakeholders, which comprise communities, customers, employees, regulators, shareholders and suppliers. Key stakeholders are determined for each material factor identified, based on the extent of which they can affect or are affected by our operations.

We actively engage our key stakeholders through the following channels:

| S/N | Key stakeholder | Engagement channel |
|---|---|---|
| 1 | Employee | Senior management holds regular communication sessions with employees to obtain feedback and alignment of business goals across all levels of workforce. Such communication channels include emails and staff evaluation sessions where employees can pose questions in person. |
| 2 | Partner | Our solutions are deployed on consumer products sold at retail stores to protect the retailers from theft and return fraud. As such, we work closely with retailers, as our partner, to ensure effectiveness of our solutions. Communication channels, both formal and informal, are established between our Partner and us across all key departments and staff levels. |
| 3 | Customer | Our customers are mostly suppliers to our Partner. Communication channels, both formal and informal, are established between our customers and the Group across all key departments and staff levels. |
| 4 | Regulator | We participate in consultations and briefing organised by key regulatory bodies such as SGX-ST so as to furnish feedback on proposed regulatory changes that impact our business. |
| 5 | Shareholder | We convey timely, full and credible information to shareholders through announcements on SGXNET, our website (http://www.digital-safety.com), investor relations email account investors@digital-safety.com, annual general meetings, annual reports, and other channels such as business publications and investors' relation events. |

Through the above channels, we seek to understand the views of key stakeholders, communicate effectively with them and respond to their concerns.

## 6. POLICY, PRACTICE AND PERFORMANCE REPORTING

### 6.1 Reporting Structure

Our sustainability strategy is developed and directed by the senior management in consultation with the Board of Directors. The Group's Sustainability Committee, which includes senior management executives, is led by our Chief Executive Officer, and tasked to develop the sustainability strategy, review our material impacts, consider stakeholder priorities and set goals and targets, as well as collect, verify, monitor and report performance data for this Report.

### 6.2 Sustainability Reporting Processes

Under our SR policy, our sustainability process begins with the identification of relevant factors. Relevant factors are then prioritized as material factors which are then validated. The end result of this process is a list of material factors disclosed in this Report. Processes involved are as shown in the chart below:

**Identification**

Identification of the material factors that are relevant to our activities and data points for performance reporting

**Prioritization**

Prioritization of the material factors and identification of material sustainability factors to be reported

**Validation**

Validation involves the verification of information and data gathered on material factors and to perform an assessment on the completeness of material sustainability factors to finalize the sustainability report content

**Review**

Monitor, review and update our material factors from previous reporting period, taking into account the feedback received from engagement with stakeholders, organizational and external developments

### 6.3 Materiality Assessment

Under our SR Policy, each sustainability factor is assigned a reporting priority that determines the actions required as illustrated in the table below:

| Reporting priority | Description | Criteria |
|---|---|---|
| I | High | Factors with high reporting priority are reported on in details. |
| II | Medium | Factors with medium reporting priority are considered for inclusion in the Report. They may not be included in this Report if not material. |
| III | Low | Factors with low reporting priority may be reported to fulfil regulatory or other reporting requirements. They are not included in this Report if not material. |

The reporting priority is supported by a material factor matrix. Under this matrix, each factor identified is ranked by assigning scores based on low, medium and high for the level of concern to external stakeholders and potential impact on business.

## 7 MATERIAL FACTORS

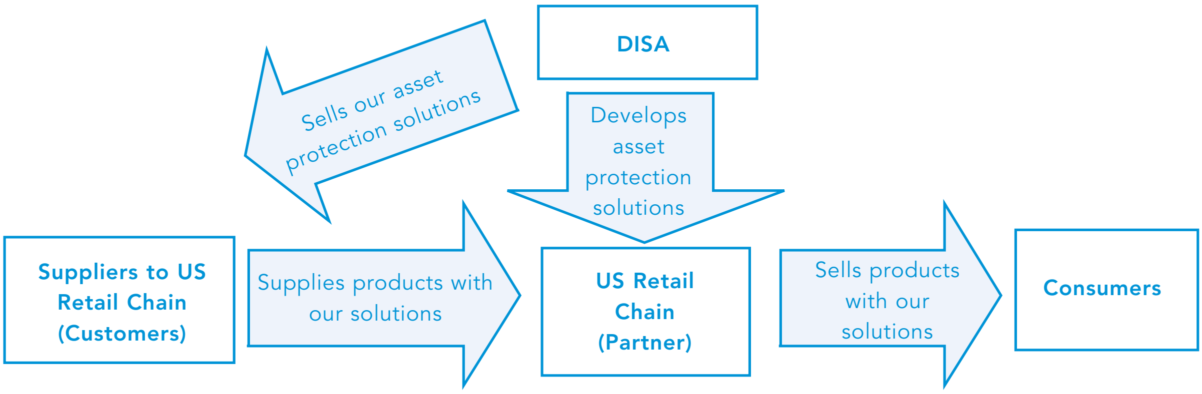
Our materiality assessment performed for FY2018 involved the Group's' Senior Management in identifying sustainability factors deemed material to our businesses and our stakeholders so as to allow us to channel our resources judiciously to create sustainable value for our stakeholders. Presented below are a list of material sustainability factors applicable to our Group:

| S/N | Material factor | Reporting priority | Key stakeholder |
|---|---|---|---|
| **General disclosure** | | | |
| 1 | Forging sustainable partnerships | I | Partner |
| **Social** | | | |
| 2 | Employee retention | I | Employee |
| 3 | Equality and diversity in the workplace | II | Employee |
| **Economic** | | | |
| 4 | Sustainable business performance | II | Shareholder |
| 5 | Proactive anti-corruption practices | II | • Shareholder<br>• Regulator |
| **Governance** | | | |
| 6 | Robust corporate governance framework | II | Regulator |

We will update the material factors on an annual basis to reflect changes in business operations, environment, stakeholder's feedback and sustainability trends. The details of each material sustainability factor are presented as follows:

### 7.1 Forging Sustainable Partnerships

Under our Technology business segment, our key solutions are the Point-of-Sale Activation ("PoSA") and single-scan serialization smart barcodes ("3S"). PoSA and 3S (collectively referred as the "asset protection solutions") are deployed on consumer products sold at retail stores to protect the retailers and their suppliers from theft and return fraud. To ensure the viability and sustainability of this business, we have to (i) gain acceptance from the retailers, as partners, over the effectiveness of the solutions and (ii) convert their suppliers (also our customers) to adopt our solutions. As at the date of this report, our key partner for the core Technology business is a retail chain that operates a chain of hypermarkets, discount department stores, and grocery stores based primarily in the United States of America ("US Retail Chain"). An illustration of our business flow is as follows:




Our strategies to gain acceptance and maintain a sustainability relationship with our Partner are outlined as follows:

a. Invest in research and development to develop cutting-edge solutions

Our asset protection solutions are the world's first anti-theft protection technology that uses encrypted codes on consumer products to safeguard retailers against theft and return fraud. We believe that investments in research and development are vital to ensure continued advances in the asset protection solutions. As at 30 June 2018, we have a dedicated Research and Development Team of 11 members.

With our ongoing efforts to innovate and improve the asset protection solution, we have helped the US Retail Chain to lower the items' rejected return rate for products protected by our asset protection solutions – a measurement on how often customers attempting returns were rejected – from 4% in June 2017 to just 0.8% in May 2018, and has resulted in an estimated savings of more than USD 10 million.

b. Gain recognition through awards and accolades

Our asset protection solutions have won recognition for the Group as the first place winner for the 2017 (R) Tech Asset Protection: Innovation Award by the Retail Industry Leaders Association, United States. This award recognizes our continuous efforts to mitigate total retail loss through developing loss-prevention solutions.

c. Ensure solutions are secured

We understand the importance of ensuring our solutions are safe against security attacks. To assure our Partner on this front, we have adopted the following measures:

- We engage qualified and experienced service providers to perform penetration and vulnerability tests for new product categories. Such assessments serve to identify potential vulnerabilities that exist in our solutions and will help us to improve our defensive mechanisms against security attacks.

- We adopt stringent internal processes and guidelines to secure the development our solutions. In addition, we also use security testing checklists to support the development of our solutions.

- We conduct in-depth evaluation on the capabilities of cloud service providers on areas such as technologies adopted, infrastructures and processes in place to ensure our data stored with them is secured.

As an assurance to our Partner on the security of our solutions, we secured a security certification from BugCrowd Inc, one of the world's leading companies with crowd-sourced global resources that test the vulnerability of a product or solution. This certification validates that our asset protection solutions are secured against hacking, malicious attack and other vulnerabilities.

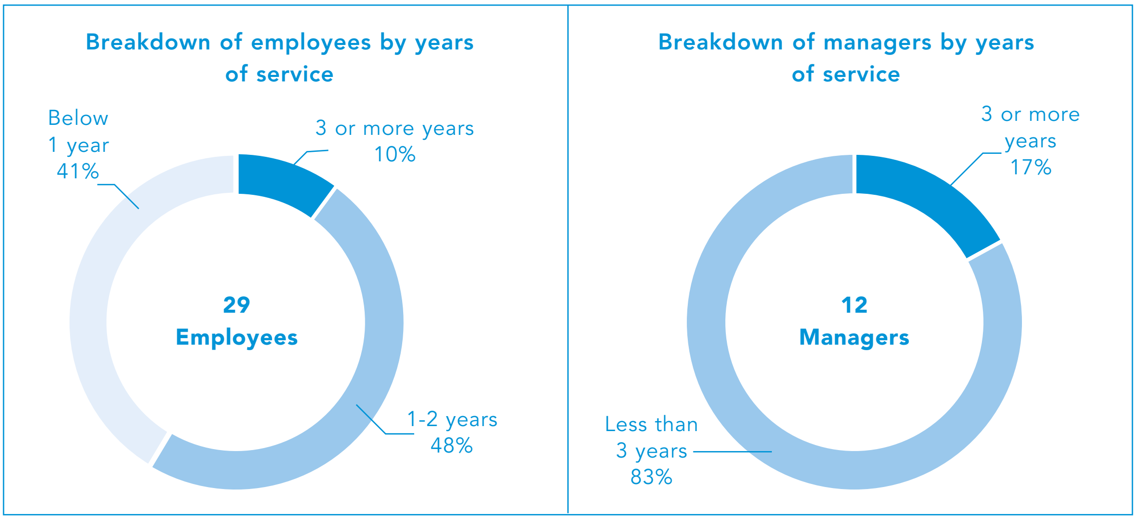
Our strategies to convert our customers to adopt our solutions are focused on setting up and maintaining a quality team. For more details on this front, refer to our material factors on employee retention and workforce diversity Section 7.2 and 7.3 respectively.

### 7.2 Employee Retention

The success of our business pivots on a team of skilled and experienced staff supervised by experienced and knowledgeable managers. Accordingly, we are committed to employee retention through the following efforts:

- Establishing procedures and guidance to recruit and promote employees based on merit and competency.
- Staff assessment is performed regularly to evaluate the performance of employees and employees could express their views and provide feedback.

A low turnover improves the sustainability of our business. As at 30 June 2018, the total number of our employees under the Technology business segment stands at 29 with approximately 10% of the employees and 17% of the managers having more than 3 years of service in the Group. The breakdown of employees and managers by the years of service are as follows:

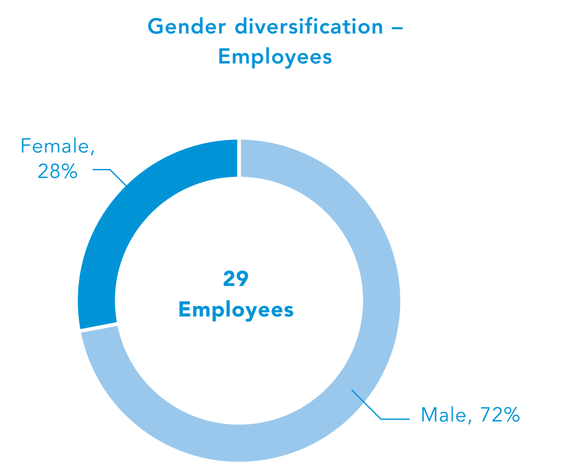


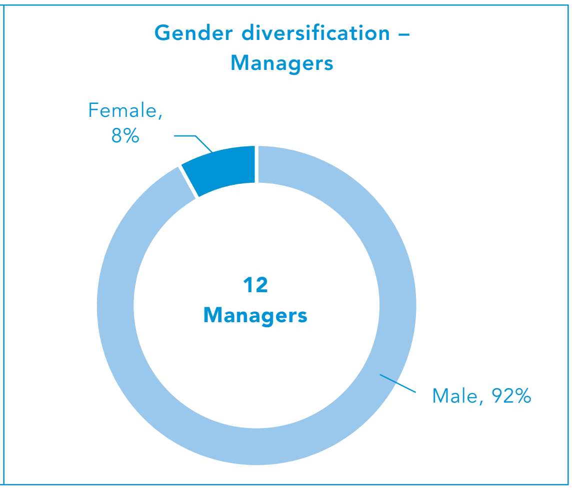

As the Technology business segment is fairly new to our Group, we expect the percentage of employees (including managers) with long service to increase as our business grows.

### 7.3 Equality and Diversity in the Workplace

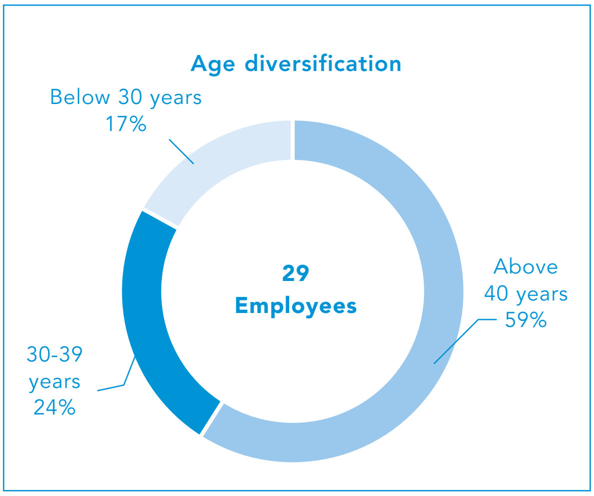
We are committed to diversity and equal opportunity in employment to grow our human capital. Accordingly, we strive to provide a work environment for our employees that fosters fairness, equity and respect for social and cultural diversity, regardless of their gender, age or educational background.

On gender diversity, given the technological nature of the business segment, our employees are predominantly males. The percentage of female to total employees is 28% and about 8% of our managers are female as at 30 June 2018 with further details as follows:




On age diversity, matured workers are valued for their experience knowledge and skills. As at 30 June 2018, 59 % of our employees under the Technology business segment is at least 40 years old with details as follows:




On diversity in educational background, given the technological nature of the business segment, all our employees are tertiary educated as at 30 June 2018.

To promote equal opportunity, we have put in place the following measures:

- A human resource policy is in place to recruit employees based on merit and competency.
- For staff recruitment, emphasis is placed on ensuring advertisements do not state age, race, gender or religion as preference or requirement.

### 7.4 Sustainable Business Performance

We believe in creating long-term economic value for our shareholders as well as key stakeholders by adopting responsible business practices and growing business in a sustainable manner.

As disclosed in relevant sections of this annual report, Management is in the process of executing various plans to turn around the Group's performance. In the interim, the Board and Management appreciate shareholders' patience and understanding whilst we execute the plans.

Details of the Group's economic performance can be found in the Company's Annual Report.

### 7.5 Proactive Anti-Corruption Practices

We are committed to carry out our business with integrity by avoiding corruption in any form, including bribery, and complying with the prevention of corruption act of Singapore.

We have in place a whistle blowing policy to provide a mechanism for employees to raise concerns through accessible confidential disclosure channels about possible improprieties in matters of financial reporting and others. An employee handbook is in place to provide guidance to employees on proper conducts and reflect the culture of our Group.

During the reporting period, no serious offence[1] was reported.

### 7.6 Robust Corporate Governance Framework

We are committed to high standards of corporate governance and believe that a high standard of corporate governance is integral in ensuring sustainability of the Group's business as well as safeguarding shareholders' interests and maximizing long-term shareholder's value.

The Board and Management believe that our quest for good governance lies in putting in place an effective framework of risk management and internal controls. Refer to the Corporate Governance Report of our Annual Report for details for our corporate governance practices.

Our overall Singapore Governance and Transparency Index ("SGTI") score assessed by National University of Singapore Business School was 65 for the index published in the year 2017, which placed us within the top 20 percentile of the public listed companies that were assessed.

### 7.7 Environmental

As a technology company, we are primarily providing asset protection solutions to our customers. Accordingly, our impact on the environment, after assessing the level of concern to external stakeholders and potential impact on business, is deemed not to be a material sustainability factor.

## 8. TARGET SETTING

We are in the process of compiling performance data to form a trend for the purpose of setting targets on the Material Factors as described above. Accordingly, the process of target setting is deferred till a time when adequate data is available to set reasonable targets.

[1] A serious offence is defined as one that involves fraud or dishonesty amounting to not less than SGD 100,000 and punishable by imprisonment for a term of not less than 2 years which is being or has been committed against the company by officers or employees of the company.

# DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of DISA Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 30 June 2018 and the statement of financial position of the Company as at 30 June 2018.

## 1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. DIRECTORS

The directors of the Company in office at the date of this statement are:

**Executive director**
Chng Weng Wah

**Independent Non-Executive directors**
Toh Hock Ghim
Lau Kay Heng
Kan Ah Chye
Loh Eu Tse Derek

**Non-Independent and Non-Executive director**
Lim Soon Hock

## 3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Except as disclosed in paragraphs 4, 5 and 6 of this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of the objects was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# DIRECTORS' STATEMENT

## 4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as disclosed below:

| Name of directors and respective companies in which interests are held | Direct interest: At beginning of the financial year | Direct interest: At end of the financial year | Direct interest: At 21 July 2018 | Deemed interest: At beginning of the financial year | Deemed interest: At end of the financial year | Deemed interest: At 21 July 2018 |
|---|---|---|---|---|---|---|
| The Company | | | Number of ordinary shares | | | |
| Ordinary shares | | | | | | |
| Chng Weng Wah | 590,950,850 | 590,950,850 | 590,950,850 | 463,050,000 | 463,050,000 | 463,050,000 |
| Kan Ah Chye | 2,500,000 | 2,500,000 | 2,500,000 | – | – | – |
| Stock Options | | | | | | |
| Toh Hock Ghim | 5,000,000 | 10,000,000 | 10,000,000 | – | – | – |
| Lau Kay Heng | 2,500,000 | 5,000,000 | 5,000,000 | – | – | – |
| Kan Ah Chye | – | 2,500,000 | 2,500,000 | – | – | – |
| Lim Soon Hock | – | 2,500,000 | 2,500,000 | – | – | – |
| Loh Eu Tse Derek | – | 2,500,000 | 2,500,000 | – | – | – |

## 5. SHARE OPTIONS

### DISA Employee Share Option Scheme (the "DISA ESOS")

The ECL ESOS ("ECL ESOS 2010") was approved and adopted by members of the Company at an Extraordinary General Meeting ("EGM") held on 28 October 2010 ("Date of Adoption") and subsequently renamed to the DISA ESOS with effect from 13 February 2017.

The DISA ESOS is administered by the DISA ESOS Committee, which comprises the following directors:

| | |
|---|---|
| Lau Kay Heng | Chairman, Non-Executive Director |
| Toh Hock Ghim | Non-Executive Director |
| Chng Weng Wah | Executive Director |

The DISA ESOS 2010 replaced the ECL ESOS that was approved and adopted by members of the Company at an EGM held on 23 December 1999. The DISA ESOS 2010 shall continue to be in force at the discretion of the Company subject to a maximum period of 10 years commencing from the Date of Adoption till 27 October 2020.

Other information regarding the DISA ESOS is set out below:

- The exercise price of the options can be set at a discount not exceeding 20% of the weighted-average of the last-dealt price for a share for the three (3) consecutive days immediately preceding the date of grant in respect of options granted at the time of grant.

- The aggregate number of ordinary shares which may be allotted and issued shares upon the exercise of options granted pursuant to the DISA ESOS of the Company shall not exceed 15% of the total number of issued shares of the Company from time to time.

  As at 30 June 2018, outstanding options issued under the DISA ESOS represent 2.7% (2017: 0.7%) of the total number of issued shares of the Company.

5. **SHARE OPTIONS** (CONTINUED)

**DISA Employee Share Option Scheme (the "DISA ESOS")** (Continued)

- Options granted to and accepted by executives, directors and employees in respect of an option granted with a subscription price at the market prices will be exercisable after the first anniversary of the offer date of that option. Options granted to and accepted by executives, directors and employees in respect of an option granted with a subscription price at a discount to the market price will only be exercisable after the second anniversary of the offer date of that option.

- The options granted will expire after 10 years from offer date of the option for directors and employees of the Company and its subsidiaries.

At the end of the financial year, details of the options granted under the DISA ESOS on the unissued ordinary shares of the Company, were as follows:

| Date of grant | Balance as at 1 July 2017 | Addition | Options forfeited/ expired | Balance as at 30 June 2018 | Exercise price per share ($) | Exercisable period |
|---|---|---|---|---|---|---|
| ***ESOS 2010*** | | | | | | |
| 8 January 2015 | 7,500,000 | – | – | 7,500,000 | 0.00600 | 8 January 2016 to 7 January 2025 |
| 8 December 2016 | 18,000,000 | – | – | 18,000,000 | 0.01110 | 8 December 2017 to 7 December 2026 |
| 8 December 2016* | 8,000,000 | – | – | 8,000,000 | 0.00999 | 8 December 2018 to 7 December 2026 |
| 8 February 2017 | 1,000,000 | – | (1,000,000) | – | 0.03260 | 8 February 2018 to 7 February 2027 |
| 16 March 2017 | 10,000,000 | – | (4,000,000) | 6,000,000 | 0.03010 | 16 March 2018 to 15 March 2027 |
| 3 April 2017 | 8,000,000 | – | – | 8,000,000 | 0.02920 | 3 April 2018 to 2 April 2027 |
| 3 July 2017 | – | 6,000,000 | (500,000) | 5,500,000 | 0.01350 | 3 July 2018 to 2 July 2027 |
| 31 July 2017 | – | 1,000,000 | (1,000,000) | – | 0.01500 | 31 July 2018 to 30 July 2027 |
| 1 November 2017 | – | 212,000,000 | (23,000,000) | 189,000,000 | 0.01420 | 1 November 2018 to 31 October 2027 |
| 13 November 2017 | – | 4,000,000 | – | 4,000,000 | 0.01360 | 13 November 2018 to 12 November 2027 |
| 28 November 2017 | – | 27,000,000 | (1,000,000) | 26,000,000 | 0.01290 | 28 November 2018 to 27 November 2027 |
| | 52,500,000 | 250,000,000 | (30,500,000) | 272,000,000 | | |

* These share options were granted at a 10% discount.

## 5. SHARE OPTIONS (CONTINUED)

**DISA Employee Share Option Scheme (the "DISA ESOS")** (Continued)

The details of the options granted under the DISA ESOS to persons who were directors of the Company during the financial year are as follows:

| Name of director | Options granted during financial year under review | Aggregate options granted since commencement of DISA ESOS to end of financial year under review | Aggregate options exercised since commencement of DISA ESOS to end of financial year under review | Aggregate options forfeited/ expired since commencement of the DISA ESOS to the end of financial year | Aggregate options outstanding as at end of financial year under review |
|---|---|---|---|---|---|
| Toh Hock Ghim | 10,000,000 | 10,000,000 | – | – | 10,000,000 |
| Lau Kay Heng | 5,000,000 | 5,000,000 | – | – | 5,000,000 |
| Kan Ah Chye | 5,000,000 | 5,000,000 | (2,500,000) | – | 2,500,000 |
| Lim Soon Hock | 2,500,000 | 2,500,000 | – | – | 2,500,000 |
| Loh Eu Tse Derek | 2,500,000 | 2,500,000 | – | – | 2,500,000 |

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

There were no share options exercised in the current financial year (2017: 2,500,000).

Since the commencement of the DISA ESOS 2010, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the DISA ESOS has been granted 5% or more of the total options available under the DISA ESOS.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

## 6. PERFORMANCE SHARES

**DISA Performance Share Scheme (the "DISA PS Scheme")**

The DISA PS Scheme was approved and adopted by members of the Company at an EGM held on 31 October 2008. The DISA PS Scheme is administered by the DISA PS Scheme Committee. The members of the committee at the end of financial year and at the date of this statement are:

| | |
|---|---|
| Toh Hock Ghim | Chairman, Non-Executive Director |
| Chng Weng Wah | Executive Director |
| Lau Kay Heng | Non-Executive Director |

Selected employees of the Group, Executive Directors and Non-Executive Directors of the Company and Directors who are also controlling shareholders of the Company and their associates ("Participants") are eligible to participate in this DISA PS Scheme. However, participation of and grant of awards to controlling shareholders of the Company and/or their associates will be subject to specific shareholders' approval.

The Company has the flexibility to either issue and deliver new shares of the Company, or purchase and deliver existing shares of the Company to Participants upon the vesting of the awards.

## 6. PERFORMANCE SHARES (CONTINUED)

### DISA Performance Share Scheme (the "DISA PS Scheme") (Continued)

Participants will receive fully paid shares of the Company, provided that certain prescribed performance targets are met within a prescribed period.

A Participant's award of ordinary shares in the share capital of the Company ("Shares") under the DISA PS Scheme (the "Award") will be determined at the sole discretion of the DISA PS Scheme Committee, which will oversee and administer the DISA PS Scheme.

During the financial year, no awards were granted under the DISA PS Scheme.

Other information regarding the DISA PS Scheme is set out below:

- The aggregate number of Award Shares (shares comprised in Awards) to be delivered to the vesting of the Awards on any date, when added to the number of shares issued and/or issuable under such other share-based incentive schemes (including the DISA ESOS) of the Company shall not exceed 15% of the issued shares of the Company on the day preceding that date.

- The aggregate number of Award Shares available to eligible controlling shareholders and their associates under the DISA PS Scheme shall not exceed 25% of the Shares available under this DISA PS Scheme. In addition, the number of Award Shares available to each such controlling shareholder or his associate shall not exceed 10% of the Shares available under this DISA PS Scheme.

- The DISA PS Scheme shall continue to be in force at the discretion of the DISA PS Scheme Committee, subject to a maximum period of 10 years commencing on the date of adoption of the DISA PS Scheme (expiring on 30 October 2018).

## 7. AUDIT AND RISKS MANAGEMENT COMMITTEE

The Audit and Risks Management Committee of the Company comprises five non-executive directors and at the date of this statement, they are:

| | |
|---|---|
| Lau Kay Heng | Chairman, Non-Executive Director |
| Toh Hock Ghim | Non-Executive Director |
| Kan Ah Chye | Non-Executive Director |
| Lim Soon Hock | Non-Executive Director |
| Loh Eu Tse Derek | Non-Executive Director |

The Audit and Risks Management Committee has convened four meetings during the financial year with key management and the internal and external auditors of the Company.

The Audit and Risks Management Committee carried out its functions in accordance with Section 201B (5) of the Act. In performing those functions, the Audit and Risks Management Committee review:

(i) the audit plan and results of the external audit, including the evaluation of internal accounting controls and its cost effectiveness, and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;

(ii) the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;

## 7. AUDIT AND RISKS MANAGEMENT COMMITTEE (CONTINUED)

(iii) Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;

(iv) the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;

(v) the adequacy of the Group's risk management processes;

(vi) the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(vii) interested person transactions in accordance with SGX listing rules;

(viii) nomination of external auditors and approval of their compensation; and

(ix) submission of report of actions and minutes of the audit and risks management committee to the board of directors with any recommendations as the audit and risks management committee deems appropriate.

The Audit and Risks Management Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit and Risks Management Committee.

The Audit and Risks Management Committee has made its recommendations to the Board of Directors and The Board of Directors is satisfied with the proposed appointment of Crowe Horwath First Trust LLP as external auditor of the Company in place of the retiring auditor, Mazars LLP, at the forthcoming 2018 Annual General Meeting.

## 8. AUDITORS

The retiring auditors, Mazars LLP, will not be seeking for re-appointment at the forthcoming Annual General Meeting of the Company. Crowe Horwath First Trust LLP has expressed its willingness to accept appointment as auditor.

On behalf of the Board of Directors

**CHNG WENG WAH**
Managing Director

**LAU KAY HENG**
Director

Singapore
21 September 2018

## REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of DISA Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 30 June 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out from pages 62 to 136.

In our opinion, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

### Basis of Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' 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* (the "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 of our opinion.

### Overview

Audit Approach

We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statements and assertion levels.

Materiality

As in all our audits, we exercised our professional judgement in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

Scope of audit

For the audit of the current year's financial statements, we performed full scope audit of 4 components as the appointed statutory auditor, and among which we identified 3 significant components either because of their size or their risk characteristics.

Area of focus

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgements and estimates to be made by directors.

## REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Matter | Audit response |
|---|---|
| **Impairment assessment of intangible assets**<br>*Refer to Note 3.2 for key sources of estimation uncertainty and Note 11 (Intangible Assets) for disclosures note.* | |
| As at 30 June 2018, the Group reported intangible assets of $10,535,000 in the consolidated statement of financial position. The intangible assets are in respect of core technology (including asset protection technology) and development costs which have been determined as a Cash Generating Unit ("CGU") (under the Technology segment).<br><br>Management is required to assess at the end of each reporting period whether there is any indication that the intangible assets may be impaired. If any such indication exists, the management shall estimate the recoverable amount of the intangible assets.<br><br>The recoverable amounts of the CGU are determined based on estimates of forecasted revenues, costs, growth rates and discount rates. This is a key audit matter because these estimates require judgement and the determination of the recoverable amounts is a key focus area in our audit. | Our procedures included the following:<br><br>• Discussed with management on their planned strategies around business expansion, revenue stream growth strategies and cost initiatives, the progress of negotiations with target customers, and obtained the list of secured agreements.<br><br>• With assistance from in-house experts, evaluated the reasonableness of management's estimate of expected future cash flows and challenged management's estimates applied in the value-in-use model, with reference to the valuation report from an independent professional valuer engaged by management.<br><br>• Reviewed the sensitivity analysis to assess the impact on the recoverable amount of the CGU subsequent to reasonably possible changes to the key assumptions for adequacy of disclosure in the financial statements.<br><br>• Evaluated the independence and competency of the independent professional valuer and the valuation method they used in valuing the intangible assets. |

## REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

### Key Audit Matters (Continued)

<table>
<tr><th>Matter</th><th>Audit response</th></tr>
<tr><td colspan="2">Recoverability of trade receivables<br>Refer to Note 3.2 for key sources of estimation uncertainty and Note 15 (Trade and other receivables) for disclosures note.</td></tr>
<tr><td>Recoverability of trade receivables is a key audit matter due to the significant overdue balances and the assessment of the recoverability of the trade receivables requires judgements.<br><br>The Group follows the guidance of FRS 39 Financial Instruments: Recognition and Measurement to determine when trade receivables are impaired. This determination requires a certain level of judgment. The Group first assesses whether objective evidence of impairment exists for individually significant debtors and collectively for debtors which are not individually significant.<br><br>The Group evaluates, among other factors, financial status of the trade receivables, any changes in the collection status and changes in industry conditions that affect the trade receivables.<br><br>Trade receivables that are collectively evaluated for impairment are based on historical loss experience for receivables with similar credit risk characteristics. The methodology and assumptions used for estimating potential impairment loss are reviewed regularly to reduce any differences between loss estimates and actual loss experience.</td><td>Our procedures included the following:<br><br>• Reviewed the ageing reports and the Group's policy for doubtful receivables allowances.<br><br>• Reviewed management's assessment on the recoverability of long outstanding receivables and ascertain the reasonableness and adequacy of the allowance for doubtful receivables as at 30 June 2018.<br><br>• Verified subsequent settlement of long outstanding receivables.</td></tr>
</table>

## REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

### Key Audit Matters (Continued)

| **Matter** | **Audit response** |
|---|---|
| **Impairment assessment of available-for-sale investments**<br>*Refer to Note 3.1 for critical judgements made in applying the Group's accounting policies, and Note 19 (Financial assets, available-for-sale) for disclosures note.* | |
| As at 30 June 2018, the Group reported available-for-sale investments of carrying amount of $2,222,000 in the statement of financial position. The available-for-sale investments refer to redeemable preference shares of an investee whose principal activity is property development.<br><br>The Group assesses at each reporting date whether there is any objective evidence that the investments are impaired. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.<br><br>This is a key audit matter because the impairment assessment involves management's judgement in relation to the recoverable amount of the available-for-sale investments. | Our procedures included the following:<br><br>• Reviewed management's assessment of fair value and impairment of the available-for-sale investments as at 30 June 2018 by comparing the financial statements of the investees to the carrying amount of available-for-sale investments, subsequent receipt from redemption from investee company, and other evidence of the recoverable amount of recorded redeemable preference shares. |
| **Impairment assessment of investments in subsidiaries**<br>*Refer to Note 3.2 for key sources of estimation uncertainty and Note 12 (Subsidiaries) for disclosures note.* | |
| Management is required to assess at the end of each reporting period whether there is any indication that the investments in subsidiaries may be impaired. If any such indication exists, management shall estimate the recoverable amount of these investments.<br><br>The recoverable amounts are determined based on estimates of forecasted revenues, growth rates and discount rates. These estimates require judgement and the determination of the recoverable amounts is therefore a key audit matter.<br><br>Additional impairment amounting to approximately $18 million was made during the financial year. | Our procedures included the following:<br><br>• Evaluated and challenged the key assumptions used by management in the impairment assessment of the investment in subsidiaries, where applicable.<br><br>• Assessed the applicable cash flow projections prepared by management. The procedures included assessing the accuracy of the computation of the discounted cash flows, evaluating the assumptions underpinning the future cash flows, and evaluating the growth and discount rate used for reasonableness. |

## REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

### Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

### Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Chan Hock Leong, Rick.

**MAZARS LLP**
Public Accountants and
Chartered Accountants

Singapore
21 September 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

| | Note | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | | | |
| Sales of codes | | **169** | 90 |
| Services rendered | | **70** | 235 |
| | | **239** | 325 |
| Other income | 4 | **346** | 536 |
| **Total revenue** | | **585** | 861 |
| **Cost and expenses** | | | |
| Cost of services | | **(68)** | (212) |
| Depreciation and amortisation expenses | | **(1,545)** | (1,479) |
| Employee benefits expenses | 5 | **(5,330)** | (3,545) |
| Legal and professional expenses | | **(601)** | (820) |
| Impairment losses on trade and other receivables | 7 | **(5)** | (8,547) |
| Loss on disposal of a subsidiary | | **–** | (643) |
| Loss on liquidation of a subsidiary | | **(92)** | – |
| Loss on liquidation of an associate | | **–** | (4) |
| Loss on waiver of debts | | **–** | (862) |
| Provision for legal liabilities | | **–** | (182) |
| Write-off of property, plant and equipment | | **(7)** | – |
| Operating lease expenses | | **(552)** | (438) |
| Other expenses | | **(2,063)** | (1,353) |
| **Total cost and expenses** | | **(10,263)** | (18,085) |
| **Results from operations activities** | | **(9,678)** | (17,224) |
| Finance costs | 6 | **(1,127)** | (762) |
| Share of results of joint ventures | | **–** | 27 |
| **Loss before income tax from continuing operations** | 7 | **(10,805)** | (17,959) |
| Income tax credit | 8 | **222** | 238 |
| **Loss from continuing operations, net of tax** | | **(10,583)** | (17,721) |
| **Discontinued operations** | | | |
| Profit from discontinued operations, net of tax | 12 | **–** | 84 |
| **Loss for the financial year** | | **(10,583)** | (17,637) |
| **Attributable to:** | | | |
| **Owners of the Company** | | | |
| Loss from continuing operations, net of tax | | **(10,896)** | (16,079) |
| Profit from discontinued operations, net of tax | | **–** | 50 |
| | | **(10,896)** | (16,029) |
| **Non-controlling interests** | | | |
| Profit/(Loss) from continuing operations, net of tax | | **313** | (1,642) |
| Profit from discontinued operations, net of tax | | **–** | 34 |
| | | **313** | (1,608) |
| **Loss for the financial year** | | **(10,583)** | (17,637) |
| **Loss per share (cents)** | | | |
| From continuing operations attributable to equity owners of the Company – basic and diluted | 9 | **(0.11)** | (0.26) |
| From discontinued operations attributable to equity owners of the Company – basic and diluted | 9 | **–** | 0.00 |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| **Loss for the financial year** | **(10,583)** | (17,637) |
| **Other comprehensive loss:** | | |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Foreign currency translation differences from foreign subsidiaries | **33** | (25) |
| **Other comprehensive income/(loss) for the financial year** | **33** | (25) |
| **Total comprehensive loss for the financial year** | **(10,550)** | (17,662) |
| **Total comprehensive loss attributable to:** | | |
| **Owners of the Company** | | |
| Loss from continuing operations, net of tax | **(10,881)** | (16,087) |
| Profit from discontinued operations, net of tax | **–** | 50 |
| | **(10,881)** | (16,037) |
| **Non-controlling interests** | | |
| Profit/(Loss) from continuing operations, net of tax | **331** | (1,659) |
| Profit from discontinued operations, net of tax | **–** | 34 |
| | **331** | (1,625) |
| **Total comprehensive loss for the financial year** | **(10,550)** | (17,662) |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

| | Note | Group 2018 $'000 | Group 2017 $'000 | Company 2018 $'000 | Company 2017 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | **982** | 456 | **432** | 387 |
| Intangible assets | 11 | **10,535** | 11,939 | **–** | – |
| Subsidiaries | 12 | **–** | – | **12,084** | 16,724 |
| Trade and other receivables | 15 | **–** | 91 | **–** | – |
| Other non-current assets | 16 | **120** | 120 | **24** | 140 |
| **Total non-current assets** | | **11,637** | 12,606 | **12,540** | 17,251 |
| **Current assets** | | | | | |
| Trade and other receivables | 15 | **609** | 814 | **60** | 66 |
| Other current assets | 17 | **1,007** | 949 | **166** | 102 |
| Cash and bank balances | 18 | **30,594** | 20,165 | **22,625** | 19,547 |
| Financial assets, available-for-sale | 19 | **2,222** | 2,222 | **2,222** | 2,222 |
| **Total current assets** | | **34,432** | 24,150 | **25,073** | 21,937 |
| **Total assets** | | **46,069** | 36,756 | **37,613** | 39,188 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 20 | **58,680** | 37,140 | **58,680** | 37,140 |
| Reserves | | **2,237** | 4,358 | **1,504** | 3,666 |
| Accumulated losses | | **(23,803)** | (12,879) | **(36,398)** | (14,661) |
| **Equity attributable to owners of the Company** | | **37,114** | 28,619 | **23,786** | 26,145 |
| **Non-controlling interests** | | **(9,800)** | (10,025) | **–** | – |
| **Total equity** | | **27,314** | 18,594 | **23,786** | 26,145 |
| **Non-current liabilities** | | | | | |
| Financial liabilities | 22 | **84** | 12,018 | **84** | 12,018 |
| Deferred tax liabilities | 23 | **1,790** | 2,029 | **–** | – |
| **Total non-current liabilities** | | **1,874** | 14,047 | **84** | 12,018 |
| **Current liabilities** | | | | | |
| Trade and other payables | 24 | **2,275** | 2,174 | **114** | 87 |
| Accruals | 25 | **1,975** | 1,222 | **1,697** | 923 |
| Financial liabilities | 22 | **11,932** | 15 | **11,932** | 15 |
| Provisions and other liabilities | 26 | **699** | 704 | **–** | – |
| **Total current liabilities** | | **16,881** | 4,115 | **13,743** | 1,025 |
| **Total liabilities** | | **18,755** | 18,162 | **13,827** | 13,043 |
| **Total equity and liabilities** | | **46,069** | 36,756 | **37,613** | 39,188 |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

| | Share capital (Note 20) $'000 | Equity component of convertible bonds $'000 | Foreign currency translation reserve (Note (a)) $'000 | Share option reserve (Note (b)) $'000 | Capital reserve (Note (c)) $'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 loss** | | | | | | | | | |
| Loss for the financial year | – | – | – | – | – | (10,896) | (10,896) | 313 | (10,583) |
| **Other comprehensive loss** | | | | | | | | | |
| Foreign currency translation differences from foreign subsidiaries | – | – | 15 | – | – | – | 15 | 18 | 33 |
| Realisation of foreign currency translation on liquidation of a subsidiary | – | – | 28 | – | – | (28) | – | – | – |
| **Total comprehensive loss for the financial year** | – | – | 43 | – | – | (10,924) | (10,881) | 331 | (10,550) |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | |
| **Contribution by and distributions to owners** | | | | | | | | | |
| Issue of shares: | | | | | | | | | |
| – Conversion of warrants to ordinary shares | 18,988 | – | – | – | – | – | 18,988 | – | 18,988 |
| | 18,988 | – | – | – | – | – | 18,988 | – | 18,988 |
| **Others** | | | | | | | | | |
| Expiry of warrants | 33 | – | – | – | (33) | – | – | – | – |
| Employee share-based payment expenses | – | – | – | 388 | – | – | 388 | – | 388 |
| 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 | – | – | 388 | (2,552) | – | 388 | (106) | 282 |
| **Balance as at 30 June 2018** | 58,680 | 82 | (1) | 1,261 | 895 | (23,803) | 37,114 | (9,800) | 27,314 |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

| | Share capital (Note 20) $'000 | Equity component of convertible bonds $'000 | Foreign currency translation reserve (Note (a)) $'000 | Share option reserve (Note (b)) $'000 | Capital reserve (Note (c)) $'000 | Accumulated losses $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 July 2016** | 154,474 | – | (34) | 54 | 4,377 | (132,438) | 26,433 | (9,107) | 17,326 |
| **Total comprehensive loss** | | | | | | | | | |
| Loss for the financial year | – | – | – | – | – | (16,029) | (16,029) | (1,608) | (17,637) |
| **Other comprehensive loss** | | | | | | | | | |
| Foreign currency translation differences from foreign subsidiaries | – | – | (7) | – | – | (1) | (8) | (17) | (25) |
| Realisation of foreign currency translation on liquidation of an associate | – | – | (3) | – | – | 3 | – | – | – |
| **Total comprehensive loss for the financial year** | – | – | (10) | – | – | (16,027) | (16,037) | (1,625) | (17,662) |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | |
| **Contribution by and distributions to owners** | | | | | | | | | |
| Issue of shares: | | | | | | | | | |
| – Conversion of warrants to ordinary shares | 6,509 | – | – | – | – | – | 6,509 | – | 6,509 |
| – Private placements | 10,932 | – | – | – | – | – | 10,932 | – | 10,932 |
| – Private placement expense | (149) | – | – | – | – | – | (149) | – | (149) |
| | 17,292 | – | – | – | – | – | 17,292 | – | 17,292 |
| **Others** | | | | | | | | | |
| Capital reduction (Note 20) | (135,571) | – | – | – | – | 135,571 | – | – | – |
| Exercised share options | 15 | – | – | – | – | – | 15 | – | 15 |
| Equity conversion component of redeemable convertible bonds | – | 82 | – | – | – | – | 82 | – | 82 |
| Employee share-based payment expenses | – | – | – | 834 | – | – | 834 | – | 834 |
| Transfer on exercise of share options | – | – | – | (15) | – | 15 | – | – | – |
| Transfer on conversion from warrants to shares | 930 | – | – | – | (930) | – | – | – | – |
| Disposal of a subsidiary | – | – | – | – | – | – | – | 707 | 707 |
| | (134,626) | 82 | – | 819 | (930) | 135,586 | 931 | 707 | 1,638 |
| **Balance as at 30 June 2017** | 37,140 | 82 | (44) | 873 | 3,447 | (12,879) | 28,619 | (10,025) | 18,594 |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

(a) The foreign currency translation reserve comprises the foreign exchange differences arising from the translation if the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group.

(b) The share option reserve comprises the cumulative value of employee services received for the issue of share options.

(c) The capital reserve pertains to the following:

   (i) The excess of net assets over consideration paid arising from the acquisition of remaining interests in a subsidiary.

   (ii) The equity component of convertible loan.

   (iii) Debt waiver by a non-controlling interest of the Company's subsidiary recognised directly in equity.

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss before income tax from continuing operations for the year | **(10,805)** | (17,959) |
| Profit before income tax from discontinued operations for the year | **–** | 84 |
| | **(10,805)** | (17,875) |
| Adjustments for: | | |
| Interest expenses | **1,127** | 762 |
| Interest income | **(297)** | (147) |
| Amortisation of intangible assets | **1,404** | 1,404 |
| Depreciation of property, plant and equipment | **141** | 88 |
| Employee share-based payments expense | **388** | 834 |
| Gain on disposal of property, plant and equipment | **–** | (97) |
| Gain on disposal of joint ventures | **–** | (28) |
| Loss on disposal of a subsidiary | **–** | 643 |
| Loss on liquidation of subsidiaries | **92** | – |
| Loss on liquidation of an associate | **–** | 4 |
| Loss on waiver of debts | **–** | 862 |
| Impairment loss on other current assets | **–** | 17 |
| Impairment loss on prepayment for rights, interest in and ownership of granite | **–** | 5,939 |
| Impairment loss on trade and other receivables | **5** | 2,591 |
| Provision for legal liabilities (Note 26) | **(5)** | 182 |
| Reversal of long outstanding payables and overstated accruals | **(6)** | (28) |
| Reversal of fair value gain on derivative instrument recognised in previous years | **–** | 89 |
| Share of results of joint ventures | **–** | (27) |
| Write-off of property, plant and equipment | **7** | 7 |
| Exchange differences | **(67)** | (19) |
| **Operating cash flows before working capital changes** | **(8,016)** | (4,799) |
| Changes in working capital: | | |
| Inventories | **–** | 71 |
| Trade and other receivables | **200** | 103 |
| Other current assets | **(27)** | 273 |
| Trade and other payables | **148** | (719) |
| Cash used in operations | **(7,695)** | (5,071) |
| Income tax paid | **(17)** | (1) |
| **Net cash used in operating activities** | **(7,712)** | (5,072) |
| **Cash flows from investing activities** | | |
| Interest received | **297** | 147 |
| Purchase of property, plant and equipment (Note 10) | **(538)** | (354) |
| Proceeds from disposal of joint ventures | **–** | 39 |
| Proceeds from disposal of property, plant and equipment | **1** | 161 |
| Net cash outflows on disposal of a subsidiary, net of cash disposed (Note 12) | **–** | (114) |
| **Net cash used in investing activities** | **(240)** | (121) |
| **Cash flows from financing activities** | | |
| Interest paid | **(599)** | (1,665) |
| Net proceeds from issuance of ordinary shares | **–** | 10,783 |
| Release of pledged fixed deposits, net | **11** | – |
| Proceeds from convertible bonds | **–** | 12,000 |
| Proceeds from exercise of share options | **–** | 15 |
| Proceeds from exercise of warrants | **18,988** | 6,509 |
| Repayment of finance lease | **(15)** | (122) |
| Repayment of loan to a third party | **–** | (385) |
| Repayment of borrowings | **–** | (115) |
| Repayment of convertible loans | **–** | (7,000) |
| **Net cash from financing activities** | **18,385** | 20,020 |
| Net increase in cash and cash equivalents | **10,433** | 14,827 |
| Effect of exchange rate changes on cash and cash equivalents | **7** | (5) |
| Cash and cash equivalents at beginning of financial year | **20,104** | 5,282 |
| **Cash and cash equivalents at end of financial year (Note 18)** | **30,544** | 20,104 |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

**Reconciliation of assets/liabilities arising from financing activities:**

| | | Financing cash (outflow)/inflow | | Non-cash movement | |
|---|---|---|---|---|---|
| | 1 July 2017 $'000 | Repayment to $'000 | Interest paid $'000 | Interest expenses $'000 | 30 Jun 2018 $'000 |
| **Liabilities** | | | | | |
| Finance lease liabilities | 115 | (15) | (5) | 5 | **100** |
| Convertible loan | 11,918 | – | (2) | – | **11,916** |
| Accrued interest | 556 | – | (592) | 1,122 | **1,086** |
| **Assets** | | | | | |
| Pledged deposits | 61 | (11) | – | – | **50** |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. GENERAL

DISA Limited (the "Company") (Registration Number: 197501110N) is a limited liability company incorporated and domiciled in Singapore and is listed on the Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The principal place of business of the Company is located at 438A Alexandra Road #08-12 Block A Lobby 3 Alexandra Technopark Singapore 119967. The address of its registered office is at 6 Battery Road #10-01 Singapore 049909.

The principal activities of the Company are those relating to an investment holding company. The principal activities of the subsidiaries are set out in Note 12 to the financial statements.

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 30 June 2018 were authorised for issue by the Board of Directors on 21 September 2018.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("$" or "SGD") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("$'000"), unless otherwise indicated.

The preparation of financial statements in compliance with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3.

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the annual periods beginning on or after 1 July 2017. The adoption of these new or revised FRS and INT FRS did not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

**FRS 7 *Amendments to FRS 7: Disclosure Initiative***

Consequent to the adoption of these amendments, the Group has disclosed additional information to enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Comparative information has not been presented. This disclosure has been included in the Consolidated Statement of Cash Flows.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

*FRS and INT FRS issued but not yet effective*

At the date of authorisation of these financial statements, the following FRS and INT FRS that are relevant to the Group were issued but not yet effective:

| | | Effective date (annual periods beginning on or after) |
|---|---|---|
| FRS 28 | Amendments to FRS 28: Long-term interests in Associates and Joint Ventures | 1 January 2019 |
| FRS 40 | Amendments to FRS 40: Transfers of Investment Property | 1 January 2018 |
| FRS 102 | Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| FRS 104 | Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts | 1 January 2018 |
| FRS 109 | Financial Instruments | 1 January 2018 |
| FRS 109 | Amendments to FRS 109: Prepayment Features with Negative Compensation | 1 January 2019 |
| FRS 110, FRS 28 | Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |
| FRS 115 | Revenue from Contracts with Customers | 1 January 2018 |
| FRS 115 | Amendments to FRS 115: Effective Date of FRS 115 | 1 January 2018 |
| FRS 115 | Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers | 1 January 2018 |
| FRS 116 | Leases | 1 January 2019 |
| Various | Improvements to FRSs (December 2016) | Various |
| INT FRS 122 | Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| INT FRS 123 | Uncertainty over Income Tax Treatments | 1 January 2019 |

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Group and the Company have not early adopted any of the above new or revised standards, interpretations and amendments to the existing standards in the financial year ended 30 June 2018. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's and the Company's significant accounting policies and presentation of the financial information will result.

*FRS 109 Financial Instruments*

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are classified into financial assets measured at (i) fair value through profit or loss; (ii) amortised cost; or (iii) fair value through other comprehensive income, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, or as otherwise designated as such upon initial recognition, if allowed.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

*FRS 109 Financial Instruments (Continued)*

Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the entity will have a choice to recognise the gains and losses in other comprehensive income if the financial assets are measured at fair value through other comprehensive income.

There have been no changes in the de-recognition requirements of financial assets and liabilities, nor the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch.

A new forward-looking impairment model based on expected credit losses, which replaces the incurred loss model in FRS 39, determines the recognition of impairment provisions as well as interest revenue. An entity will recognise (at a minimum of) 12 months of expected credit losses in profit or loss for financial assets measured at amortised cost or fair value through other comprehensive income, unless in the circumstance when there is a significant increase in credit risk after initial recognition which requires the entity to recognised lifetime expected credit losses on the affected assets.

The Group has assessed the potential impact of FRS 109 and concluded that there is no material impact on the financial statements of the Group in the period of their initial adoption.

*FRS 115 Revenue from Contracts with Customers*

FRS 115 supersedes FRS 11 *Construction contracts*, FRS 18 *Revenue*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services* to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Entities are required to adopt a five-step model which requires (i) their identification of the contract; (ii) their identification of the performance obligations in the contract; (iii) the determination of; (iv) allocation of the transaction price; and (v) recognition of revenue when (i.e. at a point in time) or as (i.e. over time) each performance obligation is satisfied.

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services.

The Group has assessed the potential impact of FRS 115 and concluded that there is no material impact on the financial statements of the Group in the period of their initial adoption.

*FRS 116 Leases*

FRS 116 supersedes FRS 17 Lease, INT FRS 104 Determining whether an Arrangement contains a Lease, INT FRS 15 Operating Leases – Incentives, and INT FRS 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease to set out the principles for the recognition, measurement, presentation and disclosure of leases. The changes introduced by FRS 116 will primarily affect the financial statements of the lessees.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

*FRS 116 Leases (Continued)*

FRS 116 requires, with limited exceptions, the lessee to recognise, at initial recognition, lease liabilities, measured at the present value of lease payments that are not paid as of that date to reflect the present value of the future lease payments, and right-of-use assets at cost, comprising elements including the amount of the initial measurement of the lease liabilities, initial direct costs incurred by the lessee and estimates of other contracted costs to be incurred by the lessee, for its lease contracts.

The Group is still assessing the potential impact of FRS 116 on its financial statements in the initial year of adoption.

**Singapore Financial Reporting Standards (International)**

In December 2017, the Accounting Standards Council (the "ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)") as the new accounting framework to be mandatorily applied by qualifying entities, which include Singapore-incorporated entities whose debt or equity instruments are traded in a public market in Singapore, in the preparation and presentation of their general purpose financial statements for annual reporting periods beginning on or after 1 January 2018.

This first volume of SFRS(I) contains the equivalent of consolidated text of IFRS as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual reporting periods beginning on 1 January 2018. Simultaneous to its compliance with SFRS(I), the Group can hence elect to include an explicit and unreserved statement of compliance with IFRS in its first and subsequent SFRS(I) financial statements.

In the initial adoption of its first SFRS(I) financial statements and each interim financial report presented in accordance with SFRS(I) 1-34 Interim Financial Reporting, the Group is required to apply SFRS(I) 1 First-Time Adoption of Singapore Financial Reporting Standards (International) ("SFRS(I) 1") which is equivalent to IFRS 1 *First-Time Adoption of International Financial Reporting Standards* and which mandates, amongst other disclosure requirements, the Group's presentation of at least 3 statements of financial position, including comparative information for all statements presented.

The Group has not early adopted SFRS(I) and has commenced its assessment of the impact of the initial adoption of SFRS(I) on its financial statements. Such assessment includes its consideration and application of the transition requirements and options made available in SFRS(I) 1 in the financial statements. Concurrently, the Group considered the impact of the initial adoption of the aforementioned relevant revised/new FRS, amendments to and interpretations of FRS, for which there are equivalent standards in the SFRS(I) framework, which are also effective from the same date of the Group's initial adoption of SFRS(I) on its financial statements.

Preliminarily, based on currently known and reasonably estimable information relevant to its assessment, other than the possible impact arising from its initial adoption of FRS 116 which is still under management's assessment, the Group does not expect material impact on its financial statements in its initial adoption of SFRS(I) 1.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstance indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group assets and liabilities, equity, income, expenses and cash flows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-Based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of estimated customer returns, rebates and other similar allowances.

Sale of codes

Revenue from the sale of Asset-Protection/Loss Prevention codes ("codes") is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the codes; retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the codes sold; is able to reliably measure the amount of revenue and the costs incurred or to be incurred in respect of the transaction; and assesses that it is probable for the economic benefits associated with the transaction to flow to the Group.

Rendering of services

Revenue that is billed in advance of the services being rendered is deferred and reflected as advance billings.

Revenue from the provision of consultancy services in relation to energy audit and management is recognised upon the agreed stages of completion and delivery of the service to the customers. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue from the provision of installation services is recognised in profit or loss upon completion of the transaction at the reporting date. Revenue is recognised when the significant risks and rewards of installation have been transferred to the customer, recovery of the consideration is probable, the associated costs can be estimated reliably and the amount of revenue can be measured reliably.

Rental income

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

### 2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

### 2.7 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

### 2.8 Share-based payments

The Group operates two equity-settled share-based compensation schemes, which are share option and performance share plans. The schemes allow the Group's directors and employees to be rewarded with shares of the Company.

Share option plan

The fair value of employee services received in exchange for the grant of options is recognised as an employee expense to profit or loss with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period of the options during which the employees become unconditionally entitled to the options.

At each reporting date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transactions costs are credited to share capital when the options are exercised.

Performance share plan

The fair value of employee services received in exchange for the grant of the awards is recognised as an employee expense to profit or loss with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period of the awards during which the employees become unconditionally entitled to it.

The expense recognised in profit or loss at each reporting date reflects the manner in which the benefits will accrue to employees under the share plan over the vesting period. The change in profit or loss for a financial period represents the movement in cumulative expense recognised as at the beginning and end of the financial period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are non-taxable or deductible in other financial years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred Tax

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when they relate to items recognised outside profit and loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 2.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditures relating to property, plant and equipment is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of item can be measured reliably. All other repairs and maintenance expenses are recognised in profit or loss when incurred.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Property, plant and equipment (Continued)

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

| | |
|---|---|
| Plant, equipment and machinery | 5 years |
| Furniture and fittings and renovation | 5 years |
| Other equipment | 3 years |
| Motor vehicles | 5 years |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of property, plant and equipment is recognised in profit or loss.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

### 2.12 Club membership

Club membership is stated at cost less accumulated impairment losses.

### 2.13 Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite. Intangible assets are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Intangible assets (Continued)

Intangible assets acquired in a business combination (Continued)

(i) ***Core technology***

The core technology was acquired in a business combination.

(ii) ***Development costs***

Development costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives are as follows:

| | |
|---|---|
| Core technology | 16 years |
| Development costs | 5 years |

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

### 2.14 Investments in associates

An associate is an entity over which the Group has significant influence, being the power to participate in the financial and operating policy decisions of the entity but is not control or of joint control of these policies, and generally accompanying a shareholding of between 20% and 50% of the voting rights.

On acquisition of the associate, any excess of the cost of the investment over the Group's share of the net fair value of the associate identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the reporting period in which the investment is acquired. Investments in associates are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 Investments in associates (Continued)

The results and assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss of individual investments. The Group's share of losses in an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The Company has accounted for its investment in associates at cost in its separate financial statements.

### 2.15 Investments in joint ventures

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as a joint operation or a joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only decisions about the relevant activities require unanimous consent of the parties sharing control.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill and is included in the carrying amount of the investment. Any excess of the Group's net fair value of the joint venture's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the joint venture's profit or loss in the reporting period in which the investment is acquired.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.15 Investments in joint ventures (Continued)

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, from the date on which the investees become a joint venture. Under the equity method, investments in joint ventures are carried at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any accumulated losses of individual investments. The Group's share of losses in a joint venture in excess of the Group's interest in that joint venture (which includes any long term interests that, in substance, form part of the Group's net investment in the joint venture) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures. Distributions received from the joint venture reduce the carrying amount of the investment.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The Company has accounted for its investments in joint ventures at cost in its separate financial statements.

### 2.16 Impairment of tangible and intangible assets

The Group reviews the carrying amounts of its tangible and intangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior financial years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

**Financial assets**

All financial assets are recognised on a trade date – the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

The Group's loans and receivables comprise trade and other receivables, other assets (excluding prepayments) and cash and bank balances.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. Loan and receivables are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets ("AFS")

Certain equity instruments and debt securities held by the Group are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, with the exception of unquoted equity instruments that are not carried at fair value as the fair value cannot be reliably measured, AFS are measured at fair value and changes therein are recognised directly in the available-for-sale reserve with the exception of impairment losses, interests calculated using the effective interest method and foreign exchange gains and losses arising from monetary items. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in profit or loss for the financial year.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 Financial instruments (Continued)

**Financial assets** (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

**Financial liabilities and equity instruments**

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 Financial instruments (Continued)

**Financial liabilities and equity instruments** (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

*Ordinary share capital*

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Convertible bonds

Convertible bonds are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement.

The liability component of bonds is recognised initially at the fair value of a similar non-convertible liability. The carrying amount of the equity component is then determined by deducting the fair value of the liability component from the fair value of the compound financial instrument as a whole.

Any directly attributable transaction costs are allocated to the liability and equity portion in proportion to their initial carrying amounts.

Subsequent to the initial measurement, the liability component of the bonds is measured at amortised cost using the effective interest method until its extinguishment upon conversion, redemption or at the maturity date. The equity component remains as equity, net of income tax effects, but may be transferred within equity.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Other financial liabilities

*Trade and other payables*

Trade and other payables, amount due to a subsidiary and finance lease payables and other liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 Financial instruments (Continued)

**Financial liabilities and equity instruments** (Continued)

Other financial liabilities (Continued)

*Borrowings*

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy (see above).

*Financial guarantee contracts*

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

**Derivative financial instruments**

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

**Offsetting of financial instruments**

A financial asset and a financial liability shall be offset and the net amount presented in the statements of financial position when and only when, an entity:

(a) currently has a legally enforceable right to set-off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Other non-current assets

Other non-current assets comprise mainly of prepayment of rights, interest in and ownership of granite and the rights on the use of plant and machinery. The prepayment of rights, interest in and ownership of granite is amortised proportionately based on the quantity of the granite sold during the period over the estimated granite reserve. The rights on the use of plant and machinery are amortised over a straight-line basis over their estimated useful lives of 7 years, from the date on which they are available for use.

### 2.19 Cash and bank balances

Cash and bank balances comprise cash on hand and demand deposits with financial institutions and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and bank balances exclude deposits pledged with the financial institutions as collateral and which form an integral part of the Group's cash management.

### 2.20 Leases

**Finance leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognised as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

**Operating leases**

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which it is incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using a pre-tax discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as it arises.

### 2.22 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

### 2.23 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### 2.24 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grant related to income is presented as a credit in profit or loss under "Other income".

### 2.25 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Management makes decision about resources to be allocated to the segment and assess its performance. Segment managers report directly to the management of the Group.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.26 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statements of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

### 2.27 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.27 Related parties (Continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly, including any director (whether executive or otherwise) of that company.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

### 3.1 Critical judgements made in applying the Group's accounting policies

**Determination of functional currency**

The Group translates foreign currency items into the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities, judgement is used by the Group to determine the currency of the primary economic environment in which the respective entities operate. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services as well as most of the entities' cost bases mainly denominated in local currency.

**Impairment of available-for-sale equity instrument**

An assessment is made on whether there is objective evidence that the available-for-sale equity instruments are impaired at the end of each reporting period. Refer to Note 19 to the financial statements.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### 3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Impairment of intangible assets**

The fair value of the core technology acquired in a business combination was based on the Multi-Period Excess Earnings Method ("MPEEM") which aims at measuring the excess earnings attributable to the intangible asset. Economic charges reflecting the use of contributory assets are then subtracted to arrive at excess earnings attributable to the intangible asset. The value of the intangible asset is the present value of the excess earnings after taxes discounted by an appropriate risk adjusted discount rate. The estimated useful life reflects management's estimates of the period that the Group intends to derive future economic benefits from the use of the Group's intangible assets. Changes in the expected level of usage and technological developments could affect the useful lives of these assets which could then consequentially impact future amortisation charges. The carrying amount of the Group's intangible assets as at 30 June 2018 is disclosed in Note 11.

Determining whether intangible assets are impaired requires an estimation of their recoverable amounts. The intangible assets are in respect of core technology (including asset protection technology) and development costs which have collectively been determined as a CGU (under the Technology segment). The recoverable amounts of the CGU was based on its value-in-use, the determination of such values in use involve significant use of estimates and assumptions by management. These estimates and assumptions including a sensitivity analysis are disclosed and further explained in Note 11.

**Impairment of other non-current assets**

The Group assesses at each reporting date whether there is an indication that the prepayment for rights, interest in and ownership of granite may be impaired. Where an indication of impairment exists, recoverable value is assessed based on an estimation of the value in use of the prepayment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the selling of granite and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

As disclosed in Note 16, the Group is in the process of preparation to file Petition against KDH before the Commercial Court at Medan District Court. The directors of the Company have taken the view that to recover the carrying value of the prepayment is very unlikely. As a result, an impairment loss of the Group's other non-current assets amounted to approximately $5,939,000 as at the end of the previous reporting period have been made and disclosed in Note 16 to the financial statements. Further details of the carrying amount of the prepayment at the end of the reporting period are disclosed in Note 16 to the financial statements.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### 3.2 Key sources of estimation uncertainty (Continued)

**Impairment of investments in subsidiaries, joint ventures and associates**

At the end of each financial year, an assessment is made on whether there are indicators that the Company's investments are impaired. Where necessary, the Company's and Group's assessments are based on the estimation of the value-in-use of the assets defined in FRS 36 *Impairment of Assets* by forecasting the expected future cash flows for a period of up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The estimates and assumptions are disclosed and further explained in Note 11. The carrying amount of the Company's investments in subsidiaries as at 30 June 2018 was $12,084,000 (2017: $16,724,000) (Note 12). The carrying amounts of the Group's and the Company's investment in joint ventures and associates as of 30 June 2018 are set out in Notes 14 and 13 respectively.

**Depreciation of property, plant and equipment**

The Group depreciates the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life.

Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Group's property, plant and equipment as at 30 June 2018 was $982,000 (2017: $456,000) (Note 10).

**Impairment of loans and receivables**

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating potential impairment loss are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

As disclosed in Note 15, the Group do not expect to recover $2,434,000 (2017: $2,434,000) through the enforcement of proceedings of the arbitral award. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The case and claim against the receivable often raise difficult and complex factual and legal issues that are subject to many uncertainties and complexities. In the normal course of business, the Group consults with solicitors on matters related to litigation.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### 3.2 Key sources of estimation uncertainty (Continued)

**Impairment of loans and receivables** (Continued)

To the extent that the Group's assessment at any time do not reflect subsequent developments or the eventual outcome of any claim against the receivable, its future financial statements may be materially affected, with a favourable or adverse impact upon the Group's operating profit, financial position and liquidity. Further details of the carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 15 and Note 17 to the financial statements.

**Provision for income taxes**

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amount of the Group's current tax payable as at 30 June 2018 was $Nil (2017: $Nil).

## 4. OTHER INCOME

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Gain on disposal of property, plant and equipment | – | 23 |
| Gain on disposal of joint ventures | – | 28 |
| Grants received from government | **3** | 9 |
| Interest income from banks | **280** | 46 |
| Interest income from a joint venture party | – | 56 |
| Interest income from a related party | – | 8 |
| Interest income from third parties | **17** | 37 |
| Rental income from third parties | **12** | 201 |
| Usage of facilities from related parties | – | 56 |
| Write-off of payables and overstated accruals | **6** | 28 |
| Miscellaneous income | **28** | 44 |
| | **346** | 536 |

## 5. EMPLOYEE BENEFITS EXPENSES

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Salaries and bonuses | **4,352** | 2,404 |
| Central Provident Fund | **288** | 181 |
| Share-based payments | **388** | 834 |
| Other short-term benefits | **302** | 126 |
| | **5,330** | 3,545 |

## 6. FINANCE COSTS

| | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|
| Interest expenses on: | | |
| – bank borrowings | – | 3 |
| – convertible bonds | **1,122** | 556 |
| – convertible loan | – | 192 |
| – finance lease liabilities | **5** | 5 |
| – others | – | 6 |
| | **1,127** | 762 |

## 7. LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS

The following charges/(credits) were included in the determination of loss before income tax from continuing operations:

| | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|
| Audit fees paid/payable to auditors of the Company* | **66** | 56 |
| Amortisation of intangible assets | **1,404** | 1,404 |
| Depreciation of property, plant and equipment | **141** | 75 |
| Directors' remuneration | **915** | 781 |
| Directors' fees* | **387** | 295 |
| Employee share-based payments expense | **388** | 834 |
| Gain on disposal of joint ventures | – | (28) |
| Gain on disposal of property, plant and equipment | – | (23) |
| Impairment losses: | | |
| – impairment loss on other current assets | – | 17 |
| – impairment loss on prepayment for rights, interest in and ownership of granite | – | 5,939 |
| – impairment loss on trade and other receivables | **5** | 2,591 |
| | **5** | 8,547 |
| Legal and professional expenses | **601** | 820 |
| Provision for legal liabilities | – | 182 |
| Research and development expense* | **149** | 72 |
| Foreign exchange gain, net* | **(55)** | (21) |

* included in other expenses

## 8. INCOME TAX CREDIT

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| **Continuing Operations** | | |
| ***Current tax expense*** | | |
| Underprovision in prior financial years | **17** | – |
| ***Deferred tax credit*** | | |
| Reversal and origination of temporary differences | **(239)** | (238) |
| | **(222)** | (238) |

The Company is incorporated in Singapore and accordingly is subject to income tax rate of 17% (2017: 17%). Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. There were no changes in the enterprise income tax of the difference applicable jurisdictions in the current financial year from the last financial year.

Reconciliation of effective tax rate is as follows:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Loss before income tax from continuing operations | **(10,805)** | (17,959) |
| Profit before income tax from discontinued operations | **–** | 84 |
| | **(10,805)** | (17,875) |
| Tax credit at statutory rates | **(1,837)** | (3,039) |
| *Tax effect of:* | | |
| Effect of different tax rates in other countries | **503** | (17) |
| Expenses not deductible for tax purposes | **71** | 2,040 |
| Income not subject to tax | **(22)** | (10) |
| Underprovision of current tax expenses in prior financial years | **17** | – |
| Deferred tax assets not recognised | **1,046** | 788 |
| | **(222)** | (238) |

The Group has unutilised tax losses and unabsorbed capital allowances of approximately $50,600,000 (2017: $44,852,249) and $14,986,000 (2017: $14,578,000) respectively, that are available for offset against future taxable profits of the companies in which these arose for which no deferred tax asset is recognised due to the uncertainty of its recoverability. There is no expiry date for the Group to use these tax losses, which are subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

## 9. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the loss and share data used in the computation of basic and diluted loss per share for the financial year ended 30 June:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Basic and diluted loss per share is based on: | | |
| Net loss attributable to ordinary shareholders | **(10,896)** | (16,079) |
| Less: Profit from discontinued operations, net of tax, attributable to owners of the Company | **–** | 50 |
| Loss from continuing operations, net of tax, attributable to owners of the Company | **(10,896)** | (16,029) |

| | No. of Shares | |
|---|---|---|
| | '000 | '000 |
| Issued ordinary shares as at 1 July | 7,326,139 | 5,113,730 |
| Effect of ordinary shares issued | 2,544,487 | 1,040,947 |
| Weighted average number of ordinary shares as at 30 June | 9,870,626 | 6,154,677 |

For the purpose of calculation of the diluted loss per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options, with the potential ordinary shares weighted for the period outstanding. As the effect is anti-dilutive, the diluted loss per share is the same as the basic earnings per share.

Other than share options reflected in the following table, the option of conversion into shares of the Company under the Redeemable Convertible Bonds agreement (Note 22(a)) and share options has not been included in the calculation of diluted loss per share because they are anti-dilutive for the current financial years presented.

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **No. of Shares** | |
| | **'000** | **'000** |
| Weighted average number of ordinary shares as at 30 June | **9,870,626** | 6,154,677 |
| Potential ordinary shares issuable under: | | |
| Share options | **7,500** | – |
| | **9,878,126** | 6,154,677 |

## 10. PROPERTY, PLANT AND EQUIPMENT

| Group | Plant, equipment and machinery $'000 | Furniture and fittings and renovation $'000 | Other equipment $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance as at 1 July 2016 | 5,959 | 723 | 191 | 649 | 7,522 |
| Translation differences on consolidation | – | 1 | – | – | 1 |
| Additions | – | 40 | 34 | 400 | 474 |
| Disposals | (40) | – | (6) | (378) | (424) |
| Disposal of a subsidiary (Note 12) | (217) | (15) | (2) | – | (234) |
| Write-offs | (5,702) | (516) | (77) | – | (6,295) |
| Balance as at 30 June 2017 and 1 July 2017 | – | 233 | 140 | 671 | 1,044 |
| Additions | – | 656 | 19 | – | 675 |
| Disposals | – | (1) | – | – | (1) |
| Write-offs | – | (138) | (47) | – | (185) |
| Balance as at 30 June 2018 | – | 750 | 112 | 671 | 1,533 |
| **Accumulated depreciation** | | | | | |
| Balance as at 1 July 2016 | 5,930 | 706 | 167 | 555 | 7,358 |
| Translation differences on consolidation | – | (1) | – | – | (1) |
| Depreciation for the year | 7 | 18 | 12 | 51 | 88 |
| Disposals | (40) | – | (5) | (315) | (360) |
| Disposal of a subsidiary (Note 12) | (195) | (12) | (2) | – | (209) |
| Write-offs | (5,702) | (516) | (70) | – | (6,288) |
| Balance as at 30 June 2017 and 1 July 2017 | – | 195 | 102 | 291 | 588 |
| Depreciation for the year | – | 43 | 18 | 80 | 141 |
| Disposals | – | –* | – | – | –* |
| Write-offs | – | (133) | (45) | – | (178) |
| Balance as at 30 June 2018 | – | 105 | 75 | 371 | 551 |
| **Net carrying amount** | | | | | |
| Balance as at 30 June 2018 | – | 645 | 37 | 300 | 982 |
| Balance as at 30 June 2017 | – | 38 | 38 | 380 | 456 |

* denotes an amount less than $1,000

## 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Company | Furniture and fittings $'000 | Other equipment $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance as at 1 July 2016 | 559 | 92 | 482 | 1,133 |
| Additions | 2 | – | 400 | 402 |
| Disposals | – | – | (211) | (211) |
| Write-offs | (498) | (43) | – | (541) |
| Balance as at 30 June 2017 and 1 July 2017 | 63 | 49 | 671 | 783 |
| Additions | 137 | – | – | 137 |
| Write-offs | (45) | (22) | – | (67) |
| Balance as at 30 June 2018 | 155 | 27 | 671 | 853 |
| **Accumulated depreciation** | | | | |
| Balance as at 1 July 2016 | 556 | 83 | 397 | 1,036 |
| Depreciation for the year | 2 | 5 | 52 | 59 |
| Disposals | – | – | (158) | (158) |
| Write-offs | (498) | (43) | – | (541) |
| Balance as at 30 June 2017 and 1 July 2017 | 60 | 45 | 291 | 396 |
| Depreciation for the year | 9 | 2 | 80 | 91 |
| Write-offs | (45) | (21) | – | (66) |
| Balance as at 30 June 2018 | 24 | 26 | 371 | 421 |
| **Net carrying amount** | | | | |
| Balance as at 30 June 2018 | 131 | 1 | 300 | 432 |
| Balance as at 30 June 2017 | 3 | 4 | 380 | 387 |

During the financial year, the Group acquired the property, plant and equipment with an aggregate cost of $538,000 (2017: $474,000) of which $Nil (2017: $120,000) was acquired by means of finance leases. Cash payments of $538,000 (2017: $354,000) were made to purchase property, plant and equipment. The Group also capitalised an estimated reinstatement cost of $137,000 during the financial year.

### Assets held under finance lease

The carrying amount of the motor vehicle held under finance lease of the Group as at 30 June 2018 amounted to $300,000 (2017: $380,000).

### Assets held in trust

A motor vehicle with carrying amount of $300,000 (2017: $380,000) is held in trust by a director of the Company.

## 11. INTANGIBLE ASSETS

| Group | Core technology $'000 | Development costs $'000 | Total $'000 |
|---|---|---|---|
| **Cost** | | | |
| Balance as at 30 June 2016, 1 July 2017 and 30 June 2018 | 31,624 | 609 | 32,233 |
| **Accumulated amortisation** | | | |
| Balance as at 1 July 2016 | 18,281 | 609 | 18,890 |
| Amortisation for the year | 1,404 | – | 1,404 |
| Balance as at 30 June 2017 and 1 July 2017 | 19,685 | 609 | 20,294 |
| Amortisation for the year | 1,404 | – | 1,404 |
| Balance as at 30 June 2018 | 21,089 | 609 | 21,698 |
| **Net carrying amount** | | | |
| Balance as at 30 June 2018 | 10,535 | – | 10,535 |
| Balance as at 30 June 2017 | 11,939 | – | 11,939 |

The amortisation charge for the Group for the financial year has been charged to depreciation and amortisation expenses in the consolidated profit or loss and other comprehensive income.

### Impairment testing of core technology and development costs

The intangible assets are in respect of core technology (including asset protection technology) and development costs which have collectively been determined as a Cash Generating Unit ("CGU") (under the Technology segment). The recoverable amounts of the CGU were based on its value-in-use, which is the net present value of expected future cash flows over a period of 8 years (2017: 9 years) (being the remaining life of the patent) from the financial year ending 30 June 2019 ("FY2019") to the financial year ending 30 June 2026 ("FY2026"). The key assumptions for the computation of value in use include the following:

| | United States ("US") Market | | Germany and European Market | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Growth rate | **5%** | 5% | **1%** | 5% |
| Discount rate | **20%** | 33% | **20%** | 33% |
| Cash flow projection | **8 years** | 9 years | **8 years** | 9 years |

*Revenue*

Revenue projections comprise sale of encrypted codes to product manufacturers. It also takes into account of the United States, Germany and European market size, market penetration and product growth in each of the regions together with the unit prices charged for encrypted codes. The commencement of revenue generation is expected in FY2023 for both Germany and European market.

Potential customers account for 37.3% of the US market in FY2019 and 29.7% for the Germany and European market in FY2023.

## 11. INTANGIBLE ASSETS (CONTINUED)

***Revenue*** (Continued)

Germany and European market adoption rate is assumed to be 1% in FY2023 and is assumed to increase progressively to 3% (2017: 1% in FY2020 and increase progressively to 7%) by financial year 2026. US market adoption rate into the potential customers is assumed to be 12% in FY2019 and is assumed to increase progressively to 38% (2017: 1% in FY2018 and increase progressively by 7%) by financial year 2026.

Germany and European product growth rate are forecasted at 1% per annum in financial year 2023 (2017: 5% per annum in financial year 2020) and are expected to reduce progressively to 3% in FY2026 onwards. US product growth rate is forecasted at 5% per annum in financial year 2019 and 2018 and is expected to reduce progressively to 3% in FY2023 onwards.

***Costs***

Management has projected staff, warranty, maintenance service, research and development costs and operation overheads for the various locations.

Warranty cost is projected based on 1% of total revenue and research and development cost is projected based on 1% of total revenue throughout the 8 years.

***Discount rate***

Applied discount rate is at 20% (2017: 33%) taking into account the risks inherent in an intangible asset.

**Sensitivity to changes in assumptions**

With regard to the assessment of value in use for the intangible assets, management believes that no reasonably possible changes in any of the above key assumptions would cause the value in use to be materially less than the carrying value of the CGU.

For intangible assets, management recognises that a decrease in potential customers' share of the Germany, European and US markets is expected to have an adverse impact on revenue assumptions. A reduction of 5% (2017: 5%) in each market would result in an impairment of $1,800,000 (2017: $1,690,000).

## 12. SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2018<br>$'000 | 2017<br>$'000 |
| Equity investments at cost | **57,977** | 44,477 |
| Impairment losses | **(45,893)** | (27,753) |
| | **12,084** | 16,724 |

Determining whether investments in subsidiaries are impaired requires an estimation of the recoverable amount of the subsidiaries. Such recoverable amounts are estimated based on the values in use of the subsidiaries. The value-in-use of the Company's investments in certain subsidiaries has been determined based on valuation models which assume that the principal activities of these subsidiaries will be capable of generating future profitability and growth in the business of these activities. The value-in-use of these investments is dependent on the ability of the entities to realise this assumption.

## 12. SUBSIDIARIES (CONTINUED)

Included in the net carrying amount of investment in subsidiaries is the net investment in Disa Digital Safety Pte. Ltd. ("DDSPL") of $12,084,000 (2017: $16,724,000) and DDSPL owns the core technology. The sensitivity to change in the assumption of the value-in-use calculation of the core technology is explained in Note 11.

An impairment assessment was conducted on the recoverable amounts of the Company's investment in these subsidiaries. The recoverable amounts of the subsidiaries were determined based on the value in use calculation using cash flow projections and applying discount rates of 20% (2017: 33%). Based on the calculation, the carrying amounts of the Company's investments in certain subsidiaries were determined to be higher than their recoverable amounts and an impairment loss of $18,140,000 (2017: $9,000,000) was recognised in the financial year.

The change in impairment losses in respect of investments in subsidiaries are as follows:

| | Company | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Balance as at 1 July | **27,753** | 22,416 |
| Charge to profit or loss | **18,140** | 9,000 |
| Disposal | **–** | (3,663) |
| Balance as at 30 June | **45,893** | 27,753 |

The details of the subsidiaries are as follows:

| Name of subsidiary | Principal activities | Place of business/Country of incorporation | Effective equity holding 2018 % | Effective equity holding 2017 % |
|---|---|---|---|---|
| ***Held by the Company*** | | | | |
| Disa Digital Safety Pte. Ltd.[a] | Provision of digital security, anti-theft solutions and anti-counterfeiting solutions | Singapore | **100** | 100 |
| Equation Energy Pte. Ltd.[a] | Provide energy audit and management, marketing of environmental-friendly systems | Singapore | **70** | 70 |
| Equation Resources Pte. Ltd.[a] | Supply and trading of construction materials | Singapore | **81.6** | 81.6 |

## 12. SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Principal activities | Place of business/Country of incorporation | Effective equity holding 2018 % | Effective equity holding 2017 % |
|---|---|---|---|---|
| ***Held by Disa Digital Safety Pte. Ltd.*** | | | | |
| Disa Digital Safety GmbH(c) | Sales, distribution, marketing and development of digital security systems, general commercial and technical consultancy | Germany | **–** | 66.1 |
| Disa Digital Safety Limited(d) | Trading of electronic consumer parts | British Virgin Islands | **–** | 100 |
| QuickCheck Technology Limited(b) | Investment holding | Samoa | **77.5** | 77.5 |
| QuickCheck Group Limited(e) | Investment holding | Cayman Islands | **–** | 100 |
| Disa Digital Safety (Shenzhen) Limited(b) | Trading of electronic products, research and development and market promotion | China | **100** | 100 |
| Disa Digital Safety (USA)(b) | Provision of anti-theft solutions | United States | **100** | 100 |
| ***Held by QuickCheck Technology Limited*** | | | | |
| 迅检码科技(深圳)有限公司(e) | Marketing and distribution of anti-counterfeiting solution | China | **–** | 77.5 |
| ***Held by 迅检码科技(深圳)有限公司*** | | | | |
| 深圳迅检文化传播有限公司(e) | Advertising and provision of anti-counterfeiting solution | China | **–** | 69.8 |

(a) Audited by Mazars LLP, Singapore.
(b) Statutory audit is not required in the country of incorporation.
(c) Dissolved and under liquidation by this financial year ended 30 June 2018.
(d) The disposal was completed during this financial year ended 30 June 2018.
(e) Deregistered during this financial year ended 30 June 2018.

## 12. SUBSIDIARIES (CONTINUED)

Increase of share capital in subsidiaries

(i) On 2 February 2017, DDSPL has increased its cost of investment from US$208,000 (equivalent to $278,000) to US$308,000 (equivalent to $421,000) through cash consideration of US$100,000 (equivalent to $143,000) in a wholly owned subsidiary, Disa Digital Safety (Shenzhen) Limited (formerly known as Ternary Technologies (Shenzhen) Limited).

(ii) On 25 January 2017, the Company has increased its cost of investment in a wholly-owned subsidiary of the Company, DDSPL from $20,824,000 to $32,324,000 through the capitalisation of loan and accrued interest owed by DDSPL of $7,857,000 and cash consideration of $3,643,000.

(iii) On 14 February 2018, the Company has increased its cost of investment in a wholly-owned subsidiary of the Company, DDSPL from $32,324,000 to $45,824,000 through the capitalisation of existing intercompany loan owed by DDSPL of $3,355,708 and a cash consideration of $10,144,292.

**Disposal of subsidiaries and discontinued operations**

(a) On 1 June 2017, the board of directors of the Company had decided to dispose of its 60% owned subsidiary of the Company, Equation Recycling Pte. Ltd. ("ERC"), at a consideration of $1 in cash. The completion date of disposal was on 23 June 2017. Upon the completion of the disposal, ERC ceased to be a subsidiary of the Company.

The effect of the disposal of ERC on the financial position of the Group is as follows:

| | 2017<br>$'000 |
|---|---|
| Property, plant and equipment | 25 |
| Trade and other receivables | 121 |
| Other current assets | 315 |
| Cash and bank balances | 114 |
| Trade and other payables | (633) |
| Accruals | (6) |
| Total liabilities derecognised | (64) |
| Less: Non-controlling interests | 707 |
| Net assets derecognised | 643 |
| Loss on disposal of a subsidiary | (643) |
| Proceeds from disposal of a subsidiary | –* |
| Less: Cash and cash equivalents | (114) |
| Net cash outflows on disposal | (114) |

* denotes an amount less than $1,000

ERC represents the reportable segment for recycling of the Group. The disposal of ERC meets the criteria for the classification as discontinued operations. Accordingly, the result of operations for the financial year ended 30 June 2017 is presented separately on the income statement as "profit from discontinued operations, net of tax".

## 12. SUBSIDIARIES (CONTINUED)

### Disposal of subsidiaries and discontinued operations (Continued)

The results of the discontinued operations for the financial year ended 30 June are as follow:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Revenue** | | |
| Sale of goods | – | 157 |
| Other income | – | 1,190 |
| **Total revenue** | – | 1,347 |
| **Cost and expenses** | | |
| Cost of goods sold | – | (123) |
| Depreciation of property, plant and equipment | – | (13) |
| Employee benefits expenses | – | (115) |
| Legal and professional fees | – | (5) |
| Write-off of property, plant and equipment | – | (7) |
| Operating lease expenses | – | (925) |
| Other expenses | – | (75) |
| **Total expenses** | – | (1,263) |
| Profit before income tax from discontinued operations | – | 84 |
| Income tax expense | – | – |
| Profit from discontinued operations, net of tax | – | 84 |

Profit from discontinued operations is arrived at after charging/(crediting):

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Gain on disposal of property, plant and equipment | – | (74) |
| Foreign exchange loss, net | – | 3 |

Discontinued operations

The cash flows attributable to the discontinued operations for the financial year ended 30 June are as follow:

| | 2018 $'000 Generated from/(used in) | 2017 $'000 Generated from/(used in) |
|---|---|---|
| Operating cash flows | – | 31 |
| Financing cash flows | – | (73) |

## 12. SUBSIDIARIES (CONTINUED)

**Disposal of subsidiaries and discontinued operations** (Continued)

(b) On 22 February 2018, the Company's wholly owned subsidiary, DDSPL had disposed the shareholdings of 100% in Disa Digital Safety Limited ("DDSL") to an independent and unrelated company. The completion date of disposal was on 9 March 2018. Upon the completion of the disposal, DDSL ceased to be an indirect subsidiary of the Company.

The effect of the disposal of DDSL on the financial position of the Group is as follows:

| | 2018<br>$'000 |
|---|---|
| Cash and bank balances | 3 |
| Net assets derecognised | 3 |
| Loss on disposal of a subsidiary | – |
| Proceeds from disposal of a subsidiary | 3 |
| Less: Cash and cash equivalents | (3) |
| Net cash outflows on disposal | – |

**Interest in subsidiary with material non-controlling interests ("NCI")**

The following subsidiary has NCI which is material to the Group:

| Name of subsidiary | Principal place of business | Proportion of ownership interest held by non-controlling interest | Profit/(Loss) allocated to NCI<br>$'000 | Accumulated NCI<br>$'000 | Dividends paid to NCI<br>$'000 |
|---|---|---|---|---|---|
| **30 June 2018** | | | | | |
| Equation Resources Pte. Ltd. | Singapore | 18.4% | 1,679 | (9,246) | – |
| **30 June 2017** | | | | | |
| Equation Resources Pte. Ltd. | Singapore | 18.4% | (1,597) | (9,740) | – |

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group.

Summarised financial information (before intercompany eliminations):

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| Assets | 1,024 | 1,031 |
| Liabilities | (46,234) | (46,272) |
| **Net Liabilities** | (45,210) | (45,241) |
| **Profit/(Loss) after taxation** | 31 | (9,127) |
| **Total comprehensive income/(loss)** | 31 | (9,127) |
| Net cash flows used in operating activities | (28) | (124) |

## 13. ASSOCIATES

The details of the associates are as follows:

| Name of associate | Principal activities | Place of business/ Country of incorporation business | Effective equity holding 2018 % | Effective equity holding 2017 % |
|---|---|---|---|---|
| Siam Pattana Equation Co., Ltd.[a] | Dormant | Thailand | – | – |
| United Digital Technology Pte. Limited[b] | Dormant | Hong Kong | – | – |

(a) On 23 June 2017, Siam Pattana Equation Co., Ltd has been disposed following the disposal of subsidiary, Equation Recycling Pte. Ltd. ("ERC").

(b) On 10 March 2017, United Digital Technology Pte. Limited has been deregistered from the Companies Registry in Hong Kong.

In September 2009, ERC, a 60% owned subsidiary of the Company, entered into an agreement with Sing Siam Steel Service Co., Ltd. ("Sing Siam"), a company incorporated under the laws of Thailand for setting up a company. ERC and Sing Siam incorporated a company, Siam Pattana Equation Co., Ltd. ("SPE"), under the laws of Thailand. SPE shall be engaged in the business of screening, transforming, producing, selling and trading of industrial objects leftover from manufacturing processes such as copper sand, laminated board, stainless steel, and related products as well as any other recyclable products.

## 14. JOINT VENTURES

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| Equity investments at cost | – | 280 | – | 280 |
| Disposal | – | (265) | – | (265) |
| Write-off | – | (15) | – | (15) |
| | – | – | – | – |

Details of the joint ventures are as follows:

| Name of joint venture | Principal activities | Place of business/ Country of incorporation business | Effective equity holding 2018 % | Effective equity holding 2017 % |
|---|---|---|---|---|
| Aquarius Tech Pte. Ltd.[a] | Research and development of software and hardware, wireless technology and electronic products | Singapore | – | – |
| Citrine Solution Pte. Ltd. | Research and development of software and hardware | Singapore | – | – |
| Citrine System (S) Pte. Ltd. (formerly known as Citrine Wireless Pte. Ltd.) | Research and development of software and hardware, wireless technology and electronic products | Singapore | – | – |

## 14. JOINT VENTURES (CONTINUED)

| Name of joint venture | Principal activities | Place of business/ Country of incorporation business | Effective equity holding 2018 % | Effective equity holding 2017 % |
|---|---|---|---|---|
| ***Held by Citrine System (S) Pte. Ltd.*** | | | | |
| Capital Eagle Holdings Limited[(b)] | Holding of intellectual properties arising from the joint development of a bluetooth-enabled anti-parrot broadcast system | Samoa | – | – |
| Citrine Wireless (Guangzhou) Limited.[(b)] | Sales, research and development of computer software and hardware | China | – | – |

(a) On 7 August 2017, Aquarius Tech Pte. Ltd. has been struck off from the Register of Companies pursuant to Section 344(2) of the Companies Act, Cap. 50.

(b) Statutory audit is not required in the country of incorporation.

**Disposal of a joint venture – Citrine System (S) Pte. Ltd.**

On 31 May 2017, the Company has agreed to dispose of its 50% owned joint venture, Citrine System (S) Pte. Ltd. for a cash consideration of $33,500. The completion date of disposal was on 23 June 2017.

**Disposal of a joint venture – Citrine Solution Pte. Ltd.**

On 31 May 2017, the Company has agreed to dispose of its 50% owned joint venture, Citrine Solution Pte. Ltd. for a cash consideration of $5,500. The completion date of disposal was on 23 June 2017.

The summarised financial information of the above joint ventures, as at 30 June presented below is not adjusted for the proportion of ownership interest held by the Group.

| | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|
| **Assets and liabilities:** | | |
| Non-current assets | – | 8 |
| Current assets | – | 420 |
| Total assets | – | 428 |
| Current liabilities | – | 54 |
| Total liabilities | – | 54 |
| **Results:** | | |
| Revenue | – | 364 |
| Expenses | – | (310) |
| Profit for the financial year | – | 54 |

## 14. JOINT VENTURES (CONTINUED)

**Disposal of a joint venture – Citrine Solution Pte. Ltd.** (Continued)

Aggregate information about the Group's investments in joint ventures that are not individually materials are as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Revenue | **–** | 364 |
| Profit for the financial year | **–** | 54 |
| Total comprehensive income for the financial year | **–** | 54 |

## 15. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Trade receivables | **4,719** | 4,907 | **–** | – |
| Less: allowances for impairment | **(4,170)** | (4,170) | **–** | – |
| | **549** | 737 | **–** | – |
| Other receivables | **1,122** | 1,370 | **168** | 314 |
| Less: allowances for impairment | **(1,062)** | (1,202) | **(108)** | (248) |
| | **60** | 168 | **60** | 66 |
| Total trade and other receivables, net | **609** | 905 | **60** | 66 |
| Non-current | **–** | 91 | **–** | – |
| Current | **609** | 814 | **60** | 66 |
| | **609** | 905 | **60** | 66 |

Trade receivables are non-interest bearing and the average credit period on sale of goods ranges from 30 to 90 (2017: 30 to 90) days according to the terms agreed with the customers. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Allowances made in respect of estimated irrecoverable amounts are determined by reference to past default experience. The carrying amount of trade receivables individually determined to be impaired is as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Past due more than 90 days | **4,170** | 4,170 |

## 15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the allowance for doubtful trade receivables are as follows:

| | Group | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| At beginning of financial year | **4,170** | 3,172 |
| Allowance charged to profit or loss | – | 1,608 |
| Allowance written off during the financial year | – | (611) |
| Exchange translation differences | – | 1 |
| At end of financial year | **4,170** | 4,170 |

The Group's trade receivables are denominated in the following currencies as at reporting date:

| | Group | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Singapore dollar | **324** | 527 |
| United States dollar | **225** | 210 |
| | **549** | 737 |

The Group expects no recovery of $2,434,000 (2017: $2,434,000) through the enforcement of proceedings of the arbitral award against KDH as disclosed in Note 16. Based on legal advice obtained, the Group believes that impairment allowance is necessary for these receivables. The remaining receivables mainly arise from customers that have a good record with the Group. Based on the historical default rates of these customers, the Group believes that no impairment allowance is necessary in addition to those amounts that have already been provided for. For those customers without any historical information, the underlying customers' credit assessment has been evaluated by the Group.

Movements in the impairment losses in respect of non-trade receivables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| At beginning of financial year | **1,202** | 427 | **248** | 218 |
| Allowance charged to profit or loss | **5** | 983 | **5** | 29 |
| Allowance written off during the financial year | **(144)** | (209) | **(144)** | – |
| Exchange translation differences | **(1)** | 1 | **(1)** | 1 |
| At end of financial year | **1,062** | 1,202 | **108** | 248 |

The Group's and Company's non-trade receivables are denominated in the following currencies as at reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| Singapore dollar | **60** | 66 | **60** | 66 |
| Chinese Renminbi | – | 102 | – | – |
| | **60** | 168 | **60** | 66 |

## 16. OTHER NON-CURRENT ASSETS

| Group | Prepayment for rights, interest in and ownership of granite (a) $'000 | Prepayment for rights on use of plant and machinery (b) $'000 | Club membership $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance as at 1 July 2017, 30 June 2017 and 30 June 2018 | 12,685 | 815 | 120 | 13,620 |
| **Accumulated amortisation** | | | | |
| Balance as at 1 July 2017, 30 June 2017 and 30 June 2018 | 1,746 | 815 | – | 2,561 |
| **Accumulated Impairment loss** | | | | |
| Balance as at 1 July 2016 | 5,000 | – | – | 5,000 |
| Addition | 5,939 | – | – | 5,939 |
| Balance as at 30 June 2017, 1 July 2018 and 30 June 2018 | 10,939 | – | – | 10,939 |
| **Net carrying amount** | | | | |
| Balance as at 30 June 2018 | – | – | 120 | 120 |
| Balance as at 30 June 2017 | – | – | 120 | 120 |

(a) Prepayment for rights, interest in and ownership of granite as at 30 June 2018 and 30 June 2017 relates to amounts paid for the 100% of rights, interest in and ownership of granite paid to PT Kawasan Dinamika Harmonitama ("KDH") by Equation Resources Pte. Ltd. ("ERPL"), an 81.6% owned subsidiary.

The prepayment of rights, interest in and ownership of granite is amortised proportionately based on the quantity of the granite sold during the period over the estimated granite reserve of 15 million tonnes.

On 22 March 2012, ERPL commenced arbitration proceedings against KDH by filing a Notice of Arbitration with the Singapore International Arbitration Centre ("SIAC"). ERPL is claiming against KDH for contractual damages for KDH's breaches of a sale and purchase co-operation agreement dated 5 February 2009 and supplemental agreement thereto dated 13 November 2009 for the purchase of the rights, ownership and interest in granite obtained and extracted by KDH ("Extracted Granite") from a mining area in the District of Meral, Karimun Regency, a province of the Riau Islands, in the Republic of Indonesia.

On 27 March 2012, ERPL obtained an interim injunction against KDH from the High Court of Singapore restraining KDH from disposing or dissipating the Extracted Granite and KDH's plant and machinery, until the arbitration tribunal may be constituted to hear the case or make any further interim orders. The oral hearing and post-hearing submission to arbitration tribunal were completed in early November 2013.

On 28 January 2014, ERPL announced that SIAC has awarded in favour of the Company, in respect of its claims against KDH arising from KDH's breaches of the Agreement ("Award"). Under the Award, KDH has been ordered to pay the Company a total sum of $13,086,000 plus interest of 6% per annum.

On 11 September 2015, ERPL had registered the Award at Central Jakarta District Court and the Group is presently at the stage of enforcement of proceedings of the final arbitral award against KDH in Indonesia and the success of enforcement of the Award is dependent on the outcome of the proceedings.

**16. OTHER NON-CURRENT ASSETS** (CONTINUED)

There was no material development since then. Currently, ERPL is also in the process of preparation to file Petition for Suspension of Debt Payment Obligations against KDH before the Commercial Court of Medan District Court as the creditor of PT KDH.

In 2017, the management has made an assessment of the carrying value of prepayment for rights, interest in and ownership of granite for indications of impairment. Based on this assessment, an additional impairment loss of the Group's other non-current assets amounted to approximately $5,939,000 was recognised into profit or loss during the financial year ended 30 June 2017 as the management has taken the view that the recovery of the carrying value of the prepayment is deemed unlikely due to the uncertainty of the outcome of the proceedings of enforcement of the Award.

(b) Prepayment for rights on the use of plant and machinery relates to contribution to the cost in exchange for the right on the use of plant and machinery for the exploration and exploitation of land and the extraction of granite in Indonesia pursuant to the agreement with KDH.

The rights on the use of plant and machinery are amortised in profit or loss on a straight-line basis over their estimated useful lives of 7 years and has been fully amortised as at 30 June 2018 and 30 June 2017.

| | Company | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Amounts due from subsidiaries | **43,600** | 43,842 |
| Impairment losses | **(43,576)** | (43,702) |
| | **24** | 140 |

The Company monitors its recoverable periodically for collectability. The Company evaluates whether there is any objective evidence that amounts due from subsidiaries are impaired and determines the amount of impairment loss as a result of the inability of the subsidiaries to make required payments.

Determining whether amounts due from subsidiaries are impaired requires an estimation of the recoverable amount from the subsidiaries. Such recoverable amounts are estimated based on the value in use of the subsidiaries. The value in use of these subsidiaries has been determined based on valuation models which assume that the principal activities of the subsidiaries will be capable of generating future profitability and growth in the business of these activities. The value in use of these investments is dependent on the ability of the entities to realise this assumption.

An impairment loss of $28,000 (2017: $242,000) was recognised in the current financial year. The Company does not expect the amounts to be repaid within the next twelve months from the end of the financial period.

Of the amounts due from subsidiaries are non-trade loans and advances of $43,600,000 (2017: $41,493,000) which are unsecured and have no fixed term of repayment. The Company ceased to charge interest on certain non-trade loans and advance during the financial year. The weighted average effective interest rate per annum in prior year was 0.76%. These amounts are expected to be settled in cash.

## 16. OTHER NON-CURRENT ASSETS (CONTINUED)

Movements in the impairment losses in respect of amount due from subsidiaries are as follows:

| | Company | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| At beginning of financial year | **43,702** | 47,540 |
| Allowance charged to profit or loss | **28** | 242 |
| Amount recovered during the financial year | **(81)** | – |
| Allowance written off during the financial year | **–** | (4,237) |
| Exchange translation differences | **(73)** | 157 |
| At end of financial year | **43,576** | 43,702 |

The Group's and Company's other non-current assets are denominated in Singapore dollar.

## 17. OTHER CURRENT ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Deposits for trade purchases | **68** | 68 | **–** | – |
| Refundable deposits | **137** | 149 | **63** | 41 |
| Prepayments | **91** | 54 | **34** | 28 |
| Amount due from minority shareholder in subsidiary | **43** | 43 | **–** | – |
| Other recoverable | **1,480** | 1,505 | **–** | 17 |
| Interest receivable | **69** | 16 | **69** | 16 |
| Deposit paid to secure potential investment | **1,000** | 1,000 | **1,000** | 1,000 |
| | **2,888** | 2,835 | **1,166** | 1,102 |
| Less: allowance for impairment | **(1,881)** | (1,886) | **(1,000)** | (1,000) |
| | **1,007** | 949 | **166** | 102 |

Refundable deposits consist mainly of rental deposits.

Deposit paid to secure potential investment arises from a sale and purchase agreement entered into by the Company to acquire interest in a certain company. This amount has been fully impaired.

Other recoverable consists mainly of secured payment in relation to sand business in the supply of construction materials segment. This amount has been fully impaired.

## 17. OTHER CURRENT ASSETS (CONTINUED)

The movement in allowance for impairment in respect of other current assets is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| At beginning of financial year | **1,886** | 2,210 | **1,000** | 1,350 |
| Allowance charged to profit or loss | **–** | 17 | **–** | – |
| Allowance written off during the financial year | **–** | (350) | **–** | (350) |
| Exchange translation differences | **(5)** | 9 | **–** | – |
| At end of financial year | **1,881** | 1,886 | **1,000** | 1,000 |

The breakdown of allowance in respect of other current assets is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Amount due from minority shareholder in subsidiary | **43** | 43 | **–** | – |
| Other recoverable | **838** | 843 | **–** | – |
| Deposit paid to secure potential investment | **1,000** | 1,000 | **1,000** | 1,000 |
| Balance as at 30 June | **1,881** | 1,886 | **1,000** | 1,000 |

The Group's and Company's other current assets are denominated in the following currencies as at reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Singapore dollar | **336** | 289 | **166** | 102 |
| United States dollar | **649** | 638 | **–** | – |
| Hong Kong dollar | **20** | 20 | **–** | – |
| Chinese Renminbi | **2** | 2 | **–** | – |
| | **1,007** | 949 | **166** | 102 |

## 18. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Cash at banks and on hand | **2,741** | 4,096 | **572** | 3,478 |
| Short-term bank deposits | **27,853** | 16,069 | **22,053** | 16,069 |
| | **30,594** | 20,165 | **22,625** | 19,547 |

Short-term bank deposits at the reporting date have maturity range from 3 weeks to 18 months (2017: 1 month to 6 months) from the end of the financial year with the following weighted average effective interest rates per annum:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **%** | **%** | **%** | **%** |
| Singapore dollar | **0.10 to 1.31** | 0.10 to 1.09 | **0.10 to 1.31** | 0.10 to 1.09 |

Included in the deposits placed with banks as security amounting to $50,000 (2017: $61,000) was security charges pledged with banks for facilities.

The Group's and Company's cash and bank balances are denominated in the following currencies as at reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Singapore dollar | **30,416** | 19,875 | **22,621** | 19,543 |
| United States dollar | **151** | 223 | **–** | – |
| Euro | **7** | 13 | **4** | 4 |
| Hong Kong dollar | **4** | 20 | **–** | – |
| Chinese Renminbi | **16** | 34 | **–** | – |
| | **30,594** | 20,165 | **22,625** | 19,547 |

For the purpose of the consolidated statement of cash flows, the consolidated cash and bank balances comprise the following at the end of the financial year:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Cash and bank balances | **30,594** | 20,165 |
| Deposits placed with banks as security | **(50)** | (61) |
| Cash and cash equivalents as presented in consolidated statement of cash flows | **30,544** | 20,104 |

## 19. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

| | Group and Company | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| Unquoted equity securities | **120** | 120 |
| Impairment losses | **(120)** | (120) |
| | **–** | – |
| Redeemable preference shares | **2,222** | 2,222 |
| | **2,222** | 2,222 |

Analysis of impairment losses in unquoted equity securities is as follows:

| | | |
|---|---|---|
| Balance as at 1 July and 30 June | **120** | 120 |

### Unquoted equity securities

The carrying amount of the unquoted securities that the Company intends to hold for the long-term relates to an investee whose principal activity is investment holding. The Company states unquoted equity securities at cost less impairment losses. The investee does not have a history of profits and positive cash flows, is not similar in size and activity to any listed entity and there is also no active market for the equity interest. As such, it is not practicable to determine with sufficient reliability, its fair value.

### Redeemable preference shares

The unquoted equity securities comprise the Company's investment in redeemable preference shares of an investee whose principal activity is property development. The Company states unquoted equity securities at cost. The investee is not similar in size and activity to any listed entity and there is also no active market for the equity interest. As such, it is not practicable to determine with sufficient reliability, its fair value.

The redeemable preference shares have been fully redeemed subsequently on 20 July 2018 with cash consideration of $2,222,000.

## 20. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | **2018** | | **2017** | |
| | **No. of shares '000** | **$'000** | **No. of shares '000** | **$'000** |
| **Issued and fully paid:** | | | | |
| Balance as at 1 July | **7,326,139** | **37,140** | 5,113,730 | 154,474 |
| Capital reduction | **–** | **–** | – | (135,571) |
| Share issue pursuant to: | | | | |
| *Ordinary shares* | | | | |
| – exercise of warrants | **2,712,544** | **18,988** | 929,909 | 6,509 |
| – exercise of share options | **–** | **–** | 2,500 | 15 |
| – private placements | **–** | **–** | 1,280,000 | 10,783 |
| Transfer on conversion from warrants to shares | **–** | **2,746** | – | 930 |
| Warrant issue expenses | **–** | **(194)** | – | – |
| Balance as at 30 June | **10,038,683** | **58,680** | 7,326,139 | 37,140 |

## 20. SHARE CAPITAL (CONTINUED)

On 7 April 2017, the Company performed capital reduction exercise by the cancellation of share capital that has been lost or unrepresented by available assets to the extent of $135,571,000.

On 17 November 2016, the Company issued 600,000,000 new shares at $0.007 per share pursuant to a subscription agreement entered between the Company and the subscribers. The total proceeds for the issue of share capital were $4,200,000.

On 13 December 2016, the Company issued 300,000,000 new shares at $0.0099 per share pursuant to a placement agreement entered between the Company and the placement agent. The total proceeds for the issue of share capital were $2,970,000.

On 13 December 2016, the Company issued 380,000,000 new shares at $0.0099 per share pursuant to a subscription agreement entered between the Company and the subscriber. The total proceeds for the issue of share capital were $3,762,000.

As at 30 June 2018, 2,712,544,301 (2017: 922,909,458) warrants have been exercised. The proceeds for exercised of warrants were $18,988,000 (2017: $6,509,000). The remaining unexercised 33,723,298 warrants amounting to $33,000 has expired on 2 August 2017.

All issued shares are fully paid. The newly issued shares rank pari passu in all respects with the previously issued shares.

The ordinary shares have no par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## 21. SHARE-BASED PAYMENTS

### DISA Employee Share Option Scheme (the "DISA ESOS")

The ECL ESOS ("ECL ESOS 2010") was approved and adopted by members of the Company at an Extraordinary General Meeting ("EGM") held on 28 October 2010 ("Date of Adoption"). The ESOS 2010 shall continue to be in force at the discretion of the Company subject to a maximum period of 10 years commencing from the Date of Adoption till 27 October 2020.

The ESOS 2010 replaced the ECL ESOS that was approved and adopted by members of the Company at an EGM held on 23 December 1999. The ECL ESOS 1999 expired on 22 December 2009. Subsequently, ECL ESOS has been renamed to DISA ESOS with effect from 13 February 2017.

Other information regarding the DISA ESOS is set out below:

- The exercise price of the options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant.

- The aggregate number of ordinary shares which may be allotted and issued shares upon the exercise of options granted pursuant to the DISA ESOS of the Company shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.

## 21. SHARE-BASED PAYMENTS (CONTINUED)

**DISA Employee Share Option Scheme (the "DISA ESOS")** (Continued)

- Options granted to and accepted by executives, directors and employees in respect of an option granted with a subscription price at the market price will be exercisable after the first anniversary of the offer date of that option. Options granted to and accepted by executives, directors and employees in respect of an option granted with a subscription price at a discount to the market price will only be exercisable after the second anniversary of the offer date of that option.

- The options granted will expire after 10 years from the offer date of the option for executives, directors and employees of the Company and its subsidiaries.

Movement in the number of share options and their related weighted average exercise prices is as follows:

**2018**

| Date of grant | Balance as at 1 July 2017 | Addition | Options forfeited/ expired | Balance as at 30 June 2018 | Exercise price per share ($) | Exercisable period |
|---|---|---|---|---|---|---|
| ***ESOS 2010*** | | | | | | |
| 8 January 2015 | 7,500,000 | – | – | 7,500,000 | 0.00600 | 8 January 2016 to 7 January 2025 |
| 8 December 2016 | 18,000,000 | – | – | 18,000,000 | 0.01110 | 8 December 2017 to 7 December 2026 |
| 8 December 2016* | 8,000,000 | – | – | 8,000,000 | 0.00999 | 8 December 2018 to 7 December 2026 |
| 8 February 2017 | 1,000,000 | – | (1,000,000) | – | 0.03260 | 8 February 2018 to 7 February 2027 |
| 16 March 2017 | 10,000,000 | – | (4,000,000) | 6,000,000 | 0.03010 | 16 March 2018 to 15 March 2027 |
| 3 April 2017 | 8,000,000 | – | – | 8,000,000 | 0.02920 | 3 April 2018 to 2 April 2027 |
| 3 July 2017 | – | 6,000,000 | (500,000) | 5,500,000 | 0.01350 | 3 July 2018 to 2 July 2027 |
| 31 July 2017 | – | 1,000,000 | (1,000,000) | – | 0.01500 | 31 July 2018 to 30 July 2027 |
| 1 November 2017 | – | 212,000,000 | (23,000,000) | 189,000,000 | 0.01420 | 1 November 2018 to 31 October 2027 |
| 13 November 2017 | – | 4,000,000 | – | 4,000,000 | 0.01360 | 13 November 2018 to 12 November 2027 |
| 28 November 2017 | – | 27,000,000 | (1,000,000) | 26,000,000 | 0.01290 | 28 November 2018 to 27 November 2027 |
| | 52,500,000 | 250,000,000 | (30,500,000) | 272,000,000 | | |

## 21. SHARE-BASED PAYMENTS (CONTINUED)

### DISA Employee Share Option Scheme (the "DISA ESOS") (Continued)

**2017**

| Date of grant | Balance as at 1 July 2016 | Addition | Options exercised | Balance as at 30 June 2017 | Exercise price per share ($) | Exercisable period |
|---|---|---|---|---|---|---|
| ***ESOS 2010*** | | | | | | |
| 8 January 2015 | 10,000,000 | – | (2,500,000) | 7,500,000 | 0.00600 | 8 January 2016 to 7 January 2025 |
| 8 December 2016 | – | 18,000,000 | – | 18,000,000 | 0.01110 | 8 December 2017 to 7 December 2026 |
| 8 December 2016* | – | 8,000,000 | – | 8,000,000 | 0.00999 | 8 December 2018 to 7 December 2026 |
| 8 February 2017 | – | 1,000,000 | – | 1,000,000 | 0.03260 | 8 February 2018 to 7 February 2027 |
| 16 March 2017 | – | 10,000,000 | – | 10,000,000 | 0.03010 | 16 March 2018 to 15 March 2027 |
| 3 April 2017 | – | 8,000,000 | – | 8,000,000 | 0.02920 | 3 April 2018 to 2 April 2027 |
| | 10,000,000 | 45,000,000 | (2,500,000) | 52,500,000 | | |

* These share options were granted at a 10% discount.

Out of the outstanding options for 272,000,000 (2017: 52,500,000) shares, options for 39,500,000 (2017: 7,500,000) shares are exercisable at the end of the reporting period. The weighted average share price at the time of exercise is $0.01429 (2017: $0.01699) per share. The fair value of options granted in 2018 was $3,471,000 (2017: $834,000).

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black Scholes Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

### Fair value of share options and assumptions

**2018**

| Date of grant of options | 3.7.2017 $'000 | 31.7.2017 $'000 | 1.11.2017 $'000 | 13.11.2017 $'000 | 28.11.2017 $'000 |
|---|---|---|---|---|---|
| Fair value at measurement date | 84 | 16 | 2,968 | 52 | 351 |
| Share price | $0.014 | $0.0116 | $0.014 | $0.013 | $0.013 |
| Exercise price | $0.014 | $0.0115 | $0.014 | $0.014 | $0.013 |
| Expected volatility | 434% | 434% | 434% | 434% | 434% |
| Expected option life | 10 years | 10 years | 10 years | 10 years | 10 years |
| Expected dividends | 0% | 0% | 0% | 0% | 0% |
| Risk-free interest rate | 2.09% | 2.10% | 2.28% | 2.17% | 2.09% |

## 21. SHARE-BASED PAYMENTS (CONTINUED)

**DISA Employee Share Option Scheme (the "DISA ESOS")** (Continued)

**Fair value of share options and assumptions** (Continued)

**2017**

| Date of grant of options | 8.12.2016 $'000 | 8.12.2016 $'000 | 8.2.2017 $'000 | 16.3.2017 $'000 | 3.4.2017 $'000 |
|---|---|---|---|---|---|
| Fair value at measurement date | 198 | 88 | 36 | 280 | 232 |
| Share price | $0.0110 | $0.0110 | $0.0360 | $0.0280 | $0.0280 |
| Exercise price | $0.0110 | $0.0099 | $0.0326 | $0.0301 | $0.0292 |
| Expected volatility | 423% | 423% | 423% | 423% | 423% |
| Expected option life | 10 years | 10 years | 10 years | 10 years | 10 years |
| Expected dividends | 0% | 0% | 0% | 0% | 0% |
| Risk-free interest rate | 2.47% | 2.47% | 2.11% | 2.11% | 2.11% |

The expected volatility is based on the historic volatility (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date.

**DISA Performance Shares Scheme (the "DISA PS Scheme")**

The DISA PS Scheme was approved by the members of the Company at an EGM held on 31 October 2008 ("Date of Approval").

The DISA PS Scheme differs from the existing DISA ESOS in that it allows the Company to target specific performance objectives and to provide an incentive for participants in the DISA PS Scheme ("Participants") to achieve these targets. The DISA ESOS, on the other hand, provides a more broad-based incentive that is based on the overall performance of the Company. The DISA PS Scheme is not intended to replace the existing DISA ESOS, but to complement it.

The Company has the flexibility to either issue and deliver new shares of the Company, or purchase and deliver existing shares of the Company to Participants upon the vesting of the shares awarded.

Participants will receive fully paid shares of the Company, provided that certain prescribed performance targets are met within a prescribed period.

A Participant's award of shares under the DISA PS Scheme (the "Award") will be determined at the sole discretion of the DISA PS Scheme Committee, which will oversee and administer the DISA PS Scheme.

At the end of the financial year, no awards were granted under the DISA PS Scheme.

## 21. SHARE-BASED PAYMENTS (CONTINUED)

**DISA Performance Shares Scheme (the "DISA PS Scheme")** (Continued)

The principal terms of the DISA PS Scheme are:

Size and duration

- The aggregate number of Award shares to be delivered to the vesting of the Award on any date, when added to the number of shares issued and/or issuable under such other share-based incentive schemes (including the DISA ESOS) of the Company shall not exceed 15% of the issued shares of the Company on the day preceding that date.

- The aggregate number of Award shares available to eligible controlling shareholders and their associates under the DISA ESOS shall not exceed 25% of the shares available under this DISA PS Scheme. In addition, the number of Award shares available to each such controlling shareholder or his associate shall not exceed 10% of the shares available under this DISA PS Scheme.

- The DISA PS Scheme shall continue to be in force at the discretion of the DISA PS Scheme Committee, subject to a maximum period of 10 years commencing on the Date of Approval (expiring on 30 October 2018) of the DISA PS Scheme, provided always that the DISA PS Scheme may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Participants of the DISA PS Scheme

In respect of the DISA PS Scheme, the following persons shall be eligible to participate:

- Employees of the Company and its subsidiaries who have been employed for a minimum of 1 year or such shorter period as the DISA PS Scheme Committee may determine and have attained the age of 21 years on or before the date of commencement of the DISA PS Scheme;

- Executive Directors of the Company and its subsidiaries; and

- Non-Executive Directors (including Independent Directors) of the Company and its subsidiaries.

## 22. FINANCIAL LIABILITIES

| | Group and Company 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Non-current** | | |
| Finance lease liabilities[b] | **84** | 100 |
| Convertible bonds[a] | **–** | 11,918 |
| | **84** | 12,018 |
| **Current** | | |
| Finance lease liabilities[b] | **16** | 15 |
| Convertible loan[a] | **11,916** | – |
| | **11,932** | 15 |
| | **12,016** | 12,033 |

(a) On 27 December 2016, the Company entered into a Redeemable Convertible Bonds ("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 obtained on 13 February 2017 in relation to the RCB agreement. The bonds will be matured on 23 December 2018. On the maturity date, all bonds except converted, shall be redeemed by the Company by payment of the outstanding principal value and accrued interest, in cash.

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.

The fair value of the liability component, included in current financial liabilities, is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in capital reserve.

The carry amount of RCB approximate their fair values due relative short-term maturity and interest rates approximate the market rates prevailing at end of the financial year.

(b) The Group and the Company have obligations under finance leases that are payable as follows:

| | 2018 Principal $'000 | 2018 Interest $'000 | 2018 Payments $'000 | 2017 Principal $'000 | 2017 Interest $'000 | 2017 Payments $'000 |
|---|---|---|---|---|---|---|
| **Group and Company** | | | | | | |
| Within 1 year | **16** | **4** | **20** | 15 | 5 | 20 |
| Between 1 and 5 years | **71** | **8** | **79** | 63 | 12 | 75 |
| More than 5 years | **13** | **1** | **14** | 37 | 1 | 38 |
| | **100** | **13** | **113** | 115 | 18 | 133 |

The finance lease term is between 5 to 6 years.

The effective interest rates charged during the financial year was 4.40% (2017: 4.40%) per annum. Interest rates are fixed at the contract dates, and thus expose the Group to fair value interest rate risk. As at the end of the financial year, the fair values of the Group's finance lease obligations approximate their carrying amounts.

## 23. DEFERRED TAX LIABILITIES

| | Group | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Deferred tax liabilities: | | |
| Balance as at 1 July | **2,029** | 2,267 |
| Credit to profit or loss (Note 8) | **(239)** | (238) |
| Balance as at 30 June | **1,790** | 2,029 |
| Deferred tax liabilities as at 30 June related to the following: | | |
| Differences arising from intangible assets | **1,790** | 2,029 |

## 24. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| Trade payables – third parties | **1,930** | 1,893 | **–** | – |
| Other payables | | | | |
| – a director | **11** | 3 | **11** | 3 |
| – third parties | **189** | 269 | **99** | 83 |
| – provision for reinstatement cost | **137** | – | **–** | – |
| | **2,267** | 2,165 | **110** | 86 |
| Deposits received | **4** | 4 | **4** | 4 |
| Others | **4** | 5 | **–** | (3) |
| Total trade and other payables | **2,275** | 2,174 | **114** | 87 |

Included in the trade payables is an amount of $289,000 (2017: $289,000) which is payable to KDH (Note 16).

The other payable due to a director is unsecured, interest-free and is repayable on demand. This amount is expected to be settled in cash.

The Group's and Company's trade and other payables are denominated in the following currencies as at reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| Singapore dollar | **1,424** | 1,377 | **114** | 87 |
| United States dollar | **811** | 759 | **–** | – |
| Euro | **–** | 3 | **–** | – |
| Chinese Renminbi | **5** | – | **–** | – |
| Malaysia Ringgit | **4** | 4 | **–** | – |
| Indonesia Rupiah | **31** | 31 | **–** | – |
| | **2,275** | 2,174 | **114** | 87 |

## 25. ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| Accrued interests | **1,086** | 556 | **1,086** | 556 |
| Accrued staff costs | **235** | 200 | **43** | 45 |
| Accrued operating expenses | **654** | 466 | **568** | 322 |
| | **1,975** | 1,222 | **1,697** | 923 |

The Group's and Company's accruals are denominated in the following currencies at reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| Singapore dollar | **1,907** | 1,088 | **1,697** | 923 |
| United States dollar | **50** | 76 | **–** | – |
| Euro | **–** | 17 | **–** | – |
| Chinese Renminbi | **18** | 41 | **–** | – |
| | **1,975** | 1,222 | **1,697** | 923 |

## 26. PROVISIONS AND OTHER LIABILITIES

| Group | Legal $'000 | Other liabilities $'000 | Total $'000 |
|---|---|---|---|
| Balance as at 1 July 2016 | 522 | – | 522 |
| Transferred | (510) | 510 | – |
| Provision made | 182 | – | 182 |
| Balance as at 30 June 2017 and 1 July 2017 | 194 | 510 | 704 |
| Reversal of provision | (5) | – | (5) |
| Balance as at 30 June 2018 | 189 | 510 | 699 |

The provision for legal liabilities and other liabilities was related to litigation costs and other legal proceedings.

A customer of a subsidiary made an arbitration claim for breach of a fixture note as well as for loss and damage suffered. On 25 June 2016, the Singapore International Arbitration Centre ("SIAC") has awarded in favour of the customer of the subsidiary in respect of its claims amounting to $510,000 which is included in other liabilities as the reporting date.

A customer of a subsidiary made a counter claim to its arbitration claim in regards to the loss and damages arose from unpaid charter hire and liquidated damages. On 20 July 2017, the lawyer responded in favour of the customer of the subsidiary in respect of its net claims amounting to US$132,000 (equivalent to $182,000) which is included in the provision made of $177,000.

The Group's and Company's provisions and other liabilities are denominated in the following currencies at reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| Singapore dollar | **517** | 522 | **–** | – |
| United States dollar | **182** | 182 | **–** | – |
| | **699** | 704 | **–** | – |

## 27. OPERATING LEASE COMMITMENTS

### The Group and Company as lessee

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases in respect of the leasehold buildings, warehouses and office equipment as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Future minimum lease payments payable: | | | | |
| Within 1 year | **393** | 333 | **179** | 96 |
| After 1 year but within 5 years | **956** | 525 | **643** | – |
| | **1,349** | 858 | **822** | 96 |

The leases have its tenure from 1 year to 5 years, with an option to renew the lease for another 1 year to 5 years subject to certain conditions being met. Lease payments are increased upon renewal to reflect market rentals. There are no restrictions placed upon the Company by entering into these leases.

### The Group and Company as lessor

The Group sub-leases part of its leased office. These non-cancellable leases have remaining lease terms within 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

At the end of the reporting period, future minimum rental receivables under non-cancellable operating leases are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Within 1 year | **76** | – | **–** | – |
| After 1 year but within 5 years | **190** | – | **–** | – |
| | **266** | – | **–** | – |

## 28. CONTINGENCIES

Details of contingent liabilities are as follows:

(a) On 9 March 2017, the liquidator of M3 Electronics GmbH ("M3"), a wholly-owned Germany-incorporated subsidiary of a 70% owned Hong Kong-incorporated subsidiary, Equation Technology Limited ("ETL") which has been liquidated on 1 October 2015, commenced legal proceedings in the Regional Courts of Germany against the Company, to claim a sum of €1.5 million, that the liquidator alleges that the financial obligations of M3 is guaranteed by the Company; interest thereon at 5% above the basis interest per annum from 11 January 2016 till date of payment, and costs of proceedings.

The Group has been advised by its German legal counsel that the Group has no further financial obligation towards M3 and accordingly no provision for any liability has been made in these financial statements and M3 is no longer consolidated in the Group financials nor disclosed as a subsidiary in notes to the financial statements.

## 28. CONTINGENCIES (CONTINUED)

(b) The Company had given a corporate guarantee amounting to $853,000 (2017: $853,000) to a financial institution in respect of facilities extended to an investee of the Company's investment in redeemable preference shares (Note 19), such guarantee was discharged during current financial year.

## 29. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the financial year, in addition to those disclosed elsewhere in these financial statements, the Group and the Company entered into the following transactions with related parties:

| | Group and Company | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| **Transactions with other related parties** | | |
| Interest income from related parties | – | 64 |
| Usage of facilities from related parties | – | 56 |
| Rental of premises | **109** | – |
| **Transactions with a director** | | |
| Rental of storage space | **4** | – |

**Key management personnel compensation**

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Short-term employee benefits | **4,386** | 2,639 |
| Employer's contribution to Central Provident Fund | **117** | 87 |
| | **4,503** | 2,726 |
| *Comprise amounts paid to:* | | |
| Directors of the Company | **1,568** | 974 |
| Other key management personnel | **2,935** | 1,752 |
| | **4,503** | 2,726 |

The key management personnel comprise directors of the Company and its subsidiaries, senior management of the Company such as Chief Financial Officer, General Managers and others, and their compensation is disclosed as above.

## 30. SEGMENT INFORMATION

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on their geographical locations and markets. For each of the strategic business units, the Group Chief Executive Officer reviews the internal management reports on a monthly basis to make strategic decisions.

The accounting policies of the reportable segments are the same as described in Note 2.

## 30. SEGMENT INFORMATION (CONTINUED)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit or loss before income tax, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment profit or loss before income tax is used to measure performance as the management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

As disclosed in Note 12, the Group had disposed of its subsidiary, ERC which represent main reportable segment for recycling of the Group in previous financial year.

For the financial year ended 30 June 2018, the Group comprises the following main reportable segments:

- Supply of Construction Materials;
- Energy Management Services;
- Technology; and
- Investment holding and others.

**Analysis by business segment**

| | Supply of construction materials $'000 | Energy management services $'000 | Technology $'000 | Investment holding and others $'000 | Total $'000 |
|---|---|---|---|---|---|
| **2018** | | | | | |
| **Continuing operations** | | | | | |
| External revenue | – | 70 | 169 | – | 239 |
| Reportable segment (loss)/profit after income tax from continuing operations | (43) | 7 | (7,988) | (2,559) | (10,583) |
| **Discontinued operations** | | | | | |
| Profit from discontinued operations after tax | | | | | – |
| | | | | | (10,583) |
| Other material non-cash items: | | | | | |
| **Continuing operations** | | | | | |
| – Interest expense | – | – | – | (1,127) | (1,127) |
| – Depreciation and amortisation | – | – | (1,454) | (91) | (1,545) |
| – Impairment loss on trade and other receivables | – | – | – | (5) | (5) |
| Reportable segment assets | 1,024 | 274 | 8,732 | 36,039 | 46,069 |
| Capital expenditure: | | | | | |
| – Property, plant and equipment | – | – | (538) | (137) | (675) |
| Reportable segment liabilities | (2,741) | (38) | (357) | (15,619) | (18,755) |

## 30. SEGMENT INFORMATION (CONTINUED)

### Analysis by business segment (Continued)

| | E-waste/ Recycling $'000 | Supply of construction materials $'000 | Energy management services $'000 | Technology $'000 | Investment holding and others $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| **Continuing operations** | | | | | | |
| External revenue | – | – | 235 | 90 | – | 325 |
| Share of results of joint ventures | – | – | – | – | 27 | 27 |
| Reportable segment loss after income tax from continuing operations | – | (8,677) | (32) | (3,897) | (5,115) | (17,721) |
| **Discontinued operations** | | | | | | |
| Profit from discontinued operations after tax | | | | | | 84 |
| | | | | | | (17,637) |
| Other material non-cash items: | | | | | | |
| **Continuing operations** | | | | | | |
| – Interest expense | – | – | (3) | (192) | (567) | (762) |
| – Depreciation and amortisation | – | – | – | (1,420) | (59) | (1,479) |
| – Gain on disposal of property, plant and equipment | – | – | – | – | 23 | 23 |
| – Gain on disposal of joint ventures | – | – | – | – | 28 | 28 |
| – Loss on disposal of a subsidiary | – | – | – | – | (643) | (643) |
| – Loss on liquidation of an associate | – | – | – | (4) | – | (4) |
| – Loss on waiver of debts | – | – | – | – | (862) | (862) |
| – Impairment loss on other current assets | – | (17) | – | – | – | (17) |
| – Impairment loss on prepayment for rights, interest in and ownership of granite | – | (5,939) | – | – | – | (5,939) |
| – Impairment loss on trade and other receivables | – | (2,434) | (128) | – | (29) | (2,591) |
| – Provision for legal liabilities | – | (182) | – | – | – | (182) |
| – Reversal of fair value gain provided in previous years | – | – | – | (89) | – | (89) |
| Reportable segment assets | – | 1,031 | 472 | 990 | 34,263 | 36,756 |
| Capital expenditure: | | | | | | |
| – Property, plant and equipment | – | – | – | (72) | (402) | (474) |
| Reportable segment liabilities | – | (2,734) | (41) | (316) | (15,071) | (18,162) |
| **Discontinued operations** | | | | | | |
| – Depreciation and amortisation | (13) | – | – | – | – | (13) |
| – Gain on disposal of property, plant and equipment | 74 | – | – | – | – | 74 |
| – Write-off of property, plant and equipment | (7) | – | – | – | – | (7) |

## 30. SEGMENT INFORMATION (CONTINUED)

### Analysis by business segment (Continued)

| | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|
| **Continuing operations** | | |
| **Revenue** | | |
| Total revenue for reportable segments | **239** | 325 |
| Elimination of inter-segment revenue | **–** | – |
| Consolidated revenue | **239** | 325 |
| **Profit or loss** | | |
| Total loss for reportable segments | **(10,583)** | (17,986) |
| Share of results of joint ventures | **–** | 27 |
| Consolidated loss before income tax | **(10,583)** | (17,959) |

### Analysis by geographical segment

Revenue, total consolidated assets and total capital expenditure information based on the geographical location of customers and assets respectively are as follows:

| | Total revenue | | Total consolidated assets | | Total capital expenditure | |
|---|---|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| **Continuing operations** | | | | | | |
| Asia Pacific | **176** | 316 | **45,828** | 36,385 | **663** | 446 |
| United States | **62** | 9 | **215** | 172 | **12** | 27 |
| Others | **1** | – | **26** | 199 | **–** | 1 |
| | **239** | 325 | **46,069** | 36,756 | **675** | 474 |
| **Discontinued operations** | | | | | | |
| Singapore | **–** | 157 | **–** | – | **–** | – |
| | **–** | 157 | **–** | – | **–** | – |

Information about major customers

Included in revenue of $239,000 (2017: $325,000) are revenue of approximately $124,000 (2017: $207,000) which arose from the Group's customers that exceeded 10% of total revenue individually.

The Group has three (2017: one) major customers that contribute greater than 10% of the total revenue.

| | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|
| **Major customers** | | |
| Customer A (Segment: Energy management services) | **46** | 207 |
| Customer B (Segment: Technology) | **52** | – |
| Customer C (Segment: Technology) | **26** | – |
| | **124** | 207 |

## 31. FAIR VALUE OF ASSETS AND LIABILITIES

The fair value of current financial assets and financial liabilities approximate the carrying value due to the liquid nature of these assets and/or the short term nature of these financial rights and obligations.

The carrying amounts of non-current financial assets and financial liabilities are assumed to approximate their respective fair values and the Group does not anticipate that the carrying amounts recorded in the statement of financial position would be significantly different from the values that would eventually be received or settled.

### Fair value hierarchy

The Group does not hold financial assets nor liabilities carried at fair value or at valuation. Accordingly, the disclosure requirements of the fair value hierarchy (level 1, 2 and 3) under FRS 107 *Financial Instruments: Disclosures* does not apply.

## 32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Group's activities expose it to credit risk, market risk (including foreign currency risk, interest rate risk and equity price risk) and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors. The Audit and Risk Management Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risks exposure are measured using sensitivity analysis indicated below.

### Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure.

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit listing. Cash and short term bank deposits are placed with banks and financial institutions, which are regulated.

The age analysis of net trade receivables is as follows:

| | Group | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| Not past due | **72** | 349 |
| Past due 0 – 30 days | **46** | 43 |
| Past due 31 – 60 days | **52** | 5 |
| Past due more than 60 days | **379** | 340 |
| | **549** | 737 |

## 32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

**Credit risk** (Continued)

The movements in the allowance for impairment in respect of trade receivables during the financial year are disclosed in Note 15 to the financial statements.

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Based on past experience, except for certain trade receivables balances that were impaired, the Group believes that no allowance is necessary in respect of the remaining trade receivables due to the good payment track record of its customers.

*Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| ***By country:*** | | |
| Singapore | **549** | 737 |
| ***By business segment*** | | |
| Supply of Construction Materials | **324** | 325 |
| Energy Management Services | **195** | 399 |
| Technology | **30** | 13 |
| | **549** | 737 |

**Market risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

<u>Foreign currency risks</u>

The Group transacts business in various foreign currencies, including, United States dollar ("USD"), Euro, Hong Kong dollar, Chinese Renminbi, Malaysia Ringgit and Indonesia Rupiah, other than the respective functional currencies of the Group, and hence is exposed to foreign currency risks. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

## 32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

**Market risk** (Continued)

Foreign currency risks (Continued)

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| ***Monetary assets*** | | | | |
| United States dollar | **1,027** | 1,071 | **–** | – |
| Euro | **7** | 13 | **4** | 4 |
| Hong Kong dollar | **23** | 40 | **–** | – |
| Chinese Renminbi | **17** | 136 | **–** | – |
| ***Monetary liabilities*** | | | | |
| United States dollar | **(861)** | (835) | **–** | – |
| Euro | **–** | (20) | **–** | – |
| Chinese Renminbi | **(22)** | (41) | **–** | – |
| Malaysia Ringgit | **(4)** | (4) | **–** | – |
| Indonesia Rupiah | **(31)** | (31) | **–** | – |

The Company has a number of investments in foreign operations, whose net assets are exposed to foreign exchange translation risk.

*Foreign currency sensitivity analysis*

The table below demonstrates the sensitivity of the Group's and Company's loss before income tax to a reasonably possible change in the USD against SGD, with all other variables held constant.

| | Group | |
|---|---|---|
| | Impact to profit or loss | |
| | **$'000** | **$'000** |
| | **Strengthened by 10%** | **Weakened by 10%** |
| At 30 June 2018 | | |
| United States dollar | **17** | **(17)** |
| At 30 June 2017 | | |
| United States dollar | 24 | (24) |

## 32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

**Market risk** (Continued)

Interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

The Group's interest rate risks relate to interest-bearing liabilities.

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

The Group does not use derivatives to hedge its interest rate risk.

The interest rates of interest bearing financial assets and financial liabilities, representing fixed deposits bearing fixed interest rates, fixed finance lease and convertible bonds bearing fixed interest rates are disclosed in Note 18 and Note 22 of the financial statements.

No sensitivity analysis is prepared as the Group and Company do not expect any material effect on the Group's or Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

**Liquidity risk**

Liquidity risk refers to the risk in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company monitor their liquidity risk and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of loan facilities.

The Group's operations are financed mainly through equity and borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

The repayment terms of the financial liabilities disclosed in Note 22 to these financial statements.

## 32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

**Liquidity risk** (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on contractual undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or (pay). The table includes both interest and principal cash flows.

| Group | 1 year or less<br>$'000 | 1 to 5 years<br>$'000 | More than 5 years<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **2018** | | | | |
| *Financial assets:* | | | | |
| Available-for-sale | **2,222** | **–** | **–** | **2,222** |
| Trade and other receivables | **609** | **–** | **–** | **609** |
| Other assets (excluding prepayments) | **916** | **120** | **–** | **1,036** |
| Cash and bank balances | **30,594** | **–** | **–** | **30,594** |
| | **34,341** | **120** | **–** | **34,461** |
| *Financial liabilities:* | | | | |
| Financial liabilities | **14,180** | **79** | **14** | **14,273** |
| Trade and other payables and other liabilities | **2,785** | **–** | **–** | **2,785** |
| Accruals | **1,975** | **–** | **–** | **1,975** |
| | **18,940** | **79** | **14** | **19,033** |
| Total net undiscounted Financial assets/(liabilities) | **15,401** | **41** | **(14)** | **15,428** |

| Group | 1 year or less<br>$'000 | 1 to 5 years<br>$'000 | More than 5 years<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **2017** | | | | |
| *Financial assets:* | | | | |
| Available-for-sale | 2,222 | – | – | 2,222 |
| Trade and other receivables | 814 | 91 | – | 905 |
| Other assets (excluding prepayments) | 895 | 120 | – | 1,015 |
| Cash and bank balances | 20,165 | – | – | 20,165 |
| | 24,096 | 211 | – | 24,307 |
| *Financial liabilities:* | | | | |
| Financial liabilities | 1,100 | 13,155 | 38 | 14,293 |
| Trade and other payables and other liabilities | 2,684 | – | – | 2,684 |
| Accruals | 1,222 | – | – | 1,222 |
| | 5,006 | 13,155 | 38 | 18,199 |
| Total net undiscounted financial assets/(liabilities) | 19,090 | (12,944) | (38) | 6,108 |

## 32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

**Liquidity risk** (Continued)

| **Company** | **1 year or less $'000** | **1 to 5 years $'000** | **More than 5 years $'000** | **Total $'000** |
|---|---|---|---|---|
| **2018** | | | | |
| *Financial assets:* | | | | |
| Available-for-sale | **2,222** | **–** | **–** | **2,222** |
| Trade and other receivables | **60** | **–** | **–** | **60** |
| Other assets (excluding prepayments) | **132** | **24** | **–** | **156** |
| Cash and bank balances | **22,625** | **–** | **–** | **22,625** |
| | **25,039** | **24** | **–** | **25,063** |
| *Financial liabilities:* | | | | |
| Financial liabilities | **14,180** | **79** | **14** | **14,273** |
| Trade and other payables | **115** | **–** | **–** | **115** |
| Accruals | **1,698** | **–** | **–** | **1,698** |
| | **15,993** | **79** | **14** | **16,086** |
| Total net undiscounted financial assets/(liabilities) | **9,046** | **(55)** | **(14)** | **8,977** |

| **Company** | **1 year or less $'000** | **1 to 5 years $'000** | **More than 5 years $'000** | **Total $'000** |
|---|---|---|---|---|
| **2017** | | | | |
| *Financial assets:* | | | | |
| Available-for-sale | 2,222 | – | – | 2,222 |
| Trade and other receivables | 66 | – | – | 66 |
| Other assets (excluding prepayments) | 74 | 140 | – | 214 |
| Cash and bank balances | 19,547 | – | – | 19,547 |
| | 21,909 | 140 | – | 22,049 |
| *Financial liabilities:* | | | | |
| Financial liabilities | 1,100 | 13,155 | 38 | 14,293 |
| Trade and other payables | 87 | – | – | 87 |
| Accruals | 923 | – | – | 923 |
| | 2,110 | 13,155 | 38 | 15,303 |
| Total net undiscounted financial assets/(liabilities) | 19,799 | (13,015) | (38) | 6,746 |

## 32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

**Liquidity risk** (Continued)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts is allocated to the earliest period in which the guarantee could be called.

| Company | 1 year or less $'000 | 1 to 5 years $'000 | Total $'000 |
|---|---|---|---|
| **2018** | | | |
| Corporate guarantee | – | – | – |
| **2017** | | | |
| Corporate guarantee | 853 | – | 853 |

## 33. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

Capital is defined as share capital net of accumulated losses of the Group.

The Board's policy is to maintain a sound capital base to sustain the future development and expansion of the Group's business, so as to maintain investors, payables and market confidence.

The Board seeks to maintain a healthy level of borrowings with a view to optimise financial return to shareholder.

The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as total borrowings divided by equity. Total borrowings are "financial liabilities" as shown in the consolidated statement of financial position and equity is "equity" as shown in the consolidated statement of financial position.

The Group's strategy is to maintain the debt to equity ratio under 1.0.

The debt to equity ratios at 30 June are as follows:

| | Group | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Total borrowings | **12,016** | 12,033 |
| Equity | **27,314** | 18,594 |
| Debt to equity ratio | **0.44** | 0.65 |

There was no change in the Group's approach to capital management during the financial year.

# STATISTICS OF SHAREHOLDINGS

AS AT 11 SEPTEMBER 2018

| | | |
|---|---|---|
| Number of Shares | : | 10,038,683,403 |
| Class of Shares | : | Ordinary Shares |
| Voting Rights | : | One vote per Share |
| Number of Treasury Shares | : | Nil |
| Number of Subsidiary Holdings | : | Nil |

## DISTRIBUTION OF SHAREHOLDINGS AS AT 11 SEPTEMBER 2018

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % of Shares |
|---|---|---|---|---|
| 1 – 99 | 36 | 0.42 | 945 | 0.00 |
| 100 – 1,000 | 349 | 4.05 | 306,032 | 0.00 |
| 1,001 – 10,000 | 2,698 | 31.30 | 16,568,941 | 0.16 |
| 10,001 – 1,000,000 | 5,024 | 58.30 | 820,698,145 | 8.18 |
| 1,000,001 and above | 511 | 5.93 | 9,201,109,340 | 91.66 |
| **Total** | **8,618** | **100.00** | **10,038,683,403** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS AS AT 11 SEPTEMBER 2018

| No. | Name of Shareholders | No. of Shares | % of Shares |
|---|---|---|---|
| 1 | RAFFLES NOMINEES (PTE.) LIMITED | 1,007,541,550 | 10.04 |
| 2 | MAYBANK KIM ENG SECURITIES PTE LTD | 869,111,966 | 8.66 |
| 3 | TANG WEE LOKE | 640,212,900 | 6.38 |
| 4 | CITIBANK NOMINEES SINGAPORE PTE LTD | 624,421,600 | 6.22 |
| 5 | CHNG WENG WAH | 590,970,850 | 5.89 |
| 6 | OCBC SECURITIES PRIVATE LIMITED | 241,494,450 | 2.41 |
| 7 | TAN HUI SONG | 220,000,146 | 2.19 |
| 8 | DBS NOMINEES (PRIVATE) LIMITED | 196,653,259 | 1.96 |
| 9 | CHANG FOO HWA | 180,076,200 | 1.79 |
| 10 | CHEW CHING IDA MRS IDA LEONG | 140,000,000 | 1.39 |
| 11 | ANDREW CHAN SZE TIAK | 137,639,000 | 1.37 |
| 12 | TAN ENG CHUA EDWIN | 131,930,100 | 1.31 |
| 13 | TEO POH HUA AGNES | 120,000,000 | 1.20 |
| 14 | TAN KOH YOUNG | 118,500,000 | 1.18 |
| 15 | UOB KAY HIAN PRIVATE LIMITED | 118,246,500 | 1.18 |
| 16 | LIEW CHEE KONG | 116,772,600 | 1.16 |
| 17 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 115,341,000 | 1.15 |
| 18 | DBSN SERVICES PTE. LTD. | 107,953,400 | 1.08 |
| 19 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 102,771,550 | 1.02 |
| 20 | HENG JOON SIANG | 90,880,000 | 0.91 |
| | **Total** | **5,870,517,071** | **58.49** |

# STATISTICS OF SHAREHOLDINGS

AS AT 11 SEPTEMBER 2018

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

| | Direct Interest | | Deemed Interest | | Total | |
|---|---|---|---|---|---|---|
| **Substantial Shareholders** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Chng Weng Wah | 590,970,850 | 5.89 | 463,050,000(1) | 4.61 | 1,054,020,850 | 10.50 |
| Starbids Ventures Inc. | – | – | 463,050,000(2) | 4.61 | 463,050,000 | 4.61 |
| Tang Wee Loke | 640,212,900 | 6.38 | 57,000,000(3) | 0.57 | 697,212,900 | 6.95 |
| Wang Yu Huei | – | – | 975,272,100(4) | 9.72 | 975,272,100 | 9.72 |

(1) Mr Chng Weng Wah is deemed to be interested in 463,050,000 shares held under Starbids Ventures Inc., pursuant to Section 7 of the Companies Act, Chapter 50 by virtue of his shareholdings in Starbids Ventures Inc.

(2) Starbids Ventures Inc. is deemed to be interested in 463,050,000 shares held in the custodian account with Citibank Nominees Singapore Pte. Ltd., pursuant to Section 7 of the Companies Act, Chapter 50.

(3) Mr Tang Wee Loke is deemed to be interested in 55,000,000 shares held by his spouse and 2,000,000 shares held by his children., pursuant to Section 7 of the Companies Act, Chapter 50 by virtue of the shareholdings of his spouse and children.

(4) Mr Wang Yu Huei is deemed to be interested in 975,272,100 shares held in the custodian account with Raffles Nominees (Pte.) Limited, pursuant to Section 7 of the Companies Act, Chapter 50.

Based on the information available to the Company as at 11 September 2018, approximately 72.82% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Limited is complied with.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Forty-Second Annual General Meeting of DISA Limited (the "Company") will be held at 2 Bukit Merah Central, Podium Block, Level 3, Room P301, Singapore 159835 on Friday, 26 October 2018 at 10:30 a.m. to transact the following business:–

**ORDINARY BUSINESS**

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2018. **(Resolution 1)**

2. To approve Directors' fees of S$332,500 for the financial year ended 30 June 2018. (2017: S$229,697) **(Resolution 2)**

3. To re-elect the following Directors who would be retiring at the forthcoming Annual General Meeting pursuant to Regulation 92 of the Company's Constitution:

   (i) Mr. Toh Hock Ghim **(Resolution 3)**

   *Mr. Toh Hock Ghim shall, upon re-election as Director of the Company, remain as the Chairman of the Board and Nominating Committee and a member of the Audit and Risks Management and Remuneration Committees of the Company, and shall be considered independent for the purpose of Rule 704(7) of the Rules of Catalist.*

   (ii) Mr. Kan Ah Chye **(Resolution 4)**

   *Mr. Kan Ah Chye shall, upon re-election as Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit and Risks Management and Nominating Committees of the Company, and shall be considered independent for the purpose of Rule 704(7) of the Rules of Catalist.*

4. To transact any other ordinary business of an Annual General Meeting of which due notice shall have been given.

SGX-ST: Singapore Exchange Securities Trading Limited
Rules of Catalist: Listing Manual Section B: Rules of Catalist of the SGX-ST

**SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following as Ordinary Resolutions with or without modifications:–

5. **Authority to allot and issue shares**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 ("Companies Act") and Rule 806 of the Rules of Catalist, authority be and is hereby given to the Directors of the Company to:

   (A) (i) allot and issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit;

(B) (notwithstanding that the authority conferred by this Ordinary Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Ordinary Resolution was in force,

provided that:

(a) the aggregate number of Shares to be issued pursuant to this Ordinary Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) does not exceed 100% of the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings (as calculated in accordance with subparagraph (b) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) does not exceed 50% of the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (b) below);

(b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the percentage of issued share capital shall be based on the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings at the time of passing of this Ordinary Resolution, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time which are outstanding or subsisting at the time of passing of this Ordinary Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares;

(c) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST) and the Company's Constitution for the time being; and

(d) (unless revoked or varied by the Company in general meeting) the authority conferred by this Ordinary Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law and the Rules of Catalist to be held, whichever is the earlier; or (ii) in the case of Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Ordinary Resolution, until the issuance of such Shares in accordance with the terms of the Instruments." **(Resolution 5)**

6. **Authority to grant options and to issue shares under the DISA Employee Share Option Scheme 2010 (the "DISA ESOS 2010")**

"That authority be and is hereby given to the Directors of the Company to offer and grant options in accordance with the provisions of the DISA ESOS 2010 and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the DISA ESOS

2010, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of new shares to be allotted and issued pursuant to the DISA ESOS 2010 and DISA Performance Shares Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time, as determined in accordance with the provisions of the DISA Scheme 2010." **(Resolution 6)**

By Order of the Board
Chng Weng Wah
Managing Director

Date: 3 October 2018

**Statement Pursuant to Regulation 54 of the Company's Constitution**

The effect of the resolutions under the heading "Special Business" in this Notice of the Annual General Meeting are:–

(a) The Ordinary Resolution 5 above, if passed, will empower the Directors from the date of passing of the Resolution until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 100% of the issued shares in the capital of the Company excluding treasury shares and subsidiary holdings, of which up to 50% may be issued other than on a pro rata basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time that Ordinary Resolution 5 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 5 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

(b) The Ordinary Resolution 6 above, if passed, will empower the Directors of the Company from the date of passing of the Resolution until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law and the Catalist Rules to held or when varied or revoked by the Company in general meeting, whichever is the earlier, to grant options under the DISA ESOS 2010 which was approved at the Extraordinary General Meeting of the Company on 28 October 2010, and to allot and issue shares upon the exercise of such options granted in accordance with the DISA ESOS 2010 not exceeding 15% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company from time to time.

**Notes:**

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the annual general meeting ("**Meeting**") of the Company.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

2. A proxy need not be a member of the Company.

3. A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on his behalf.

4. The instrument appointing a proxy or proxies must be deposited at registered office of the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place #29-01 Republic Plaza Tower 1 Singapore 048619 not less than forty-eight (48) hours before the time appointed for holding the Meeting of the Company.

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

This notice has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this notice.

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

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. Tel: 6532 3829.

# DISA LIMITED

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

## PROXY FORM

*(Please see notes overleaf before completing this form)*

**IMPORTANT**

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We* ______________________________ (Name) ______________ (NRIC/Passport No.*)

of ________________________________________________________ (Address)

being a Member/Members* of DISA Limited ("**Company**"), hereby appoint:

| Name | NRIC/Passport Number | Proportion of Shareholdings | |
|---|---|---|---|
| | | Number of Shares | % |
| Address | | | |

and/or*

| Name | NRIC/Passport Number | Proportion of Shareholdings | |
|---|---|---|---|
| | | Number of Shares | % |
| Address | | | |

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting (the "**Meeting**") of the Company, to be held at 2 Bukit Merah Central, Podium Block, Level 3, Room P301, Singapore 159835 on Friday, 26 October 2018 at 10.30 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specified direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/her/their* discretion, as he/she/they* will on any other matter arising at the Meeting and at any adjournment thereof.

| No. | Ordinary Resolutions | For | Against |
|---|---|---|---|
| 1. | Directors' Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2018. | | |
| 2. | Approval of Directors' fees of S$332,500 for the financial year ended 30 June 2018. (2017: S$229,697) | | |
| 3. | Re-election of Mr. Toh Hock Ghim as Director of the Company. | | |
| 4. | Re-election of Mr. Kan Ah Chye as Director of the Company. | | |
| 5. | Authority to allot and issue shares. | | |
| 6. | Authority to grant options and issue shares under the DISA Employee Share Option Scheme 2010. | | |

**Note:** If you wish to exercise all your votes "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of votes "For" or "Against" for each resolution.

Dated this ______ day of ________________ 2018

| Total number of Shares Held |
|---|
| |

_______________________________________________

Signature of Member(s) and/or Common Seal of Corporate Member

* Delete accordingly

**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary) appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered offer of Company's Share Registrar, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place #29-01 Republic Plaza Tower 1, Singapore 048619, not less than forty-eight (48) hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**
The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**PERSONAL DATA PRIVACY**
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 October 2018.

DISA LIMITED

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