Issuer: DISA Limited
Security: DISA Limited

Meeting details:
Date: 27 October 2017
Time: 10:30 a.m.
Venue: 2 Bukit Merah Central, Podium Block, Level 3, Room P301, Singapore 159835

Company Description
DISA Limited, an investment holding company, engages in trading consumer and electronic products. The company operates through E-waste/Recycling; Supply of Construction Materials; Energy Management Services; Technology; and Investment Holding and Others segments. It is involved in the supplying and trading of construction materials, including sand, granite, and coal; recycling and trading of scrap metals and electronic waste products; marketing of environmental friendly systems; development, marketing, distribution, and sale of digital security systems and digital authentication solutions; trading of electronic consumer parts; research and development, and market promotion of electronic products; and marketing, distribution, advertising, and provision of anti-counterfeiting solutions. The company also provides industrial design; energy audit and management; and general commercial and technical consultancy services. DISA Limited offers its products and services in Singapore, Germany, and internationally. The company was formerly known as Equation Summit Limited and changed its name to DISA Limited in February 2017. DISA Limited was incorporated in 1975 and is headquartered in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=532)

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Q1. The Independent Auditors have highlighted six key audit matters (KAMs) in the Independent Auditor's Report. Key audit matters are those matters that, in the professional judgement of the Independent Auditors, were of most significance in the audit of the financial statements of the current financial year.

One of the six KAMs relate to the impairment assessment of intangible assets. The $11.9 million of intangible assets is made up mainly by of the "core technology of the Disa Asset Protection system" intangible assets. There is a $1.4 million in amortisation charge for each financial year as the remaining life of the patent is only 9 years.

a) Can management help shareholders understand how many proof-of-concept trials are being conducted with Walmart and with other retailers/manufacturer? When are the trials expected to end? How fast can the PoSA business be scaled up, taking into account the need to get both the manufacturers and the retailers on the system?

One of the advantages of the Point of Sale Activation ("PoSA") Solution to the retailer is that it comes at no cost to them. The company's clients are the product manufacturers who would buy the encrypted codes to be used in the PoSA system.

b) Can the company provide better clarity on the business model? How does the group ensure that it is able to capture a share of the value generated?

c) Who are the potential retailers in Germany and Europe that could adopt the PoSA system?

d) The group recognised $90,000 in revenue for the technology segment. What was the revenue for?

Q2. Shareholders would like to ask the company for clarification/additional disclosure on the following corporate governance/remuneration matters.

	Remuneration Band	Salary & Fees	Performance Related Income/ Bonuses	Other Benefits	Total Remuneration
	$	%	%	%	%
Executive Directors					
Chng Weng Wah	Between 250,000 and 750,000	95	3	2	100
Teo Khiam Chong	Between 250,000 and 750,000	–	–	–	–

(Source: Company annual report)

a) Mr. Teo Khiam Chong received a remuneration package of between $250,000 and $750,000. The company has not provided the breakdown (as shown in the table above). **Please provide the breakdown of the remuneration of Mr. Teo Khiam Chong.**

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Mr. Chng Weng Huat, is the sibling of the CEO, Mr. Chng Weng Wah. Mr. Chng Weng Huat is employed by the Company as a Technical Director of the Company from 1 November 2011 to 30 April 2017, and has been re-designated as a Solutions Director of the Company with effect from 1 May 2017, and received remuneration in that respective capacity.

A breakdown showing the percentage mix of Mr. Chng Weng Huat's remuneration paid/payable for FY2017 is as follows:

Remuneration Band $	Salary %	Bonuses %	Other Benefits %	Total Remuneration %
Between 150,000 to 250,000	77	4	19	100

(Source: Company annual report)

b) Please disclose the salary of Mr. Chng Weng Huat in bands of $50,000 to comply with Guideline 9.4 of the 2012 Code of Corporate Governance.

Assets held in trust

A motor vehicle with carrying amount of $380,000 (2016: $85,000) is held in trust by a director of the Company.

(Source: Company annual report)

c) In the financial year, the company acquired a motor vehicle at a cost of $400,000 under finance lease and the motor vehicle is held in trust by a director of the company. **Can the company disclose the identity of the director? Did the board approve the purchase of a $400,000 motor vehicle by the company? Did the board and the independent directors approve the arrangement for the vehicle to be held in trust by a director? Is the motor vehicle used as a personal vehicle by the said director? If so, was this specified in the service contract and is this recognised as "Other benefits" in the director's annual remuneration?**

d) The company has conducted a Private Placement of 200,000,000 new ordinary shares on 13 March 2015, a Private Placement of an aggregate of 600,000,000 Shares on 17 November 2016, a Placement of 300,000,000 Shares on 13 December 2016 and a Private Placement of an aggregate of 380,000,000 Shares on 13 December 2016. The company had also issued Redeemable Convertible Bonds on 23 December 2016 and issued warrants on 3 August 2015. After raising more than $52 million, the group has total borrowings of $12.0 million and a debt-to-equity ratio of 0.65x. In 2017, the group recognised total revenue of $325,000 and reported a recorded net loss after tax from continuing operations of $17,721,000 in FY2017 (2016: $12,057,000). **Would the board explain if it is prudent for the company to buy a $400,000 motor vehicle given the financial position of the group?**

Q3. As disclosed in the Corporate Governance Report, Mr. Toh, as Chairman of the board, is responsible for "leading the Board and facilitating its effectiveness and his duties include promoting high standards of corporate governance". The role of the Chairman was described as:

> *"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 the Non-Executive Directors, ensures there is effective communication with shareholders and promotes high standards of corporate governance". (page 19)*

In addition, Mr. Toh is a member of the Audit and Risk Management Committee (ARMC), the Chairman of the Nominating Committee (NC) and a member of the Remuneration Committee (RC).

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As disclosed in the annual report, the attendance at board and board committee meetings is as follows (page 16):

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS								
	Board		Audit and Risk 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	2	4	2	1	1	1	1
Chng Weng Wah (CEO)	4	4	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
Teo Khiam Chong*	4	1	NA	NA	NA	NA	NA	NA
Lim Soon Hock*	4	1	4	1	1	–	1	–
Loh Eu Tse Derek*	4	1	4	1	1	–	1	–

NA – Not Applicable

** Appointed to the Board on 11 May 2017*

(Source: Company annual report 2017)

For reference, the frequency of meetings and attendance of each director at every Board and Board Committee meeting in FY206 are disclosed below:

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS								
	Board		Audit		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*	4	2	4	2	1	0	1	0
Chng Weng Wah	4	4	NA**	NA	NA	NA	NA	NA
Lau Kay Heng*	4	4	4	4	1	1	1	1
Kan Ah Chye*	4	3	4	3	1	1	1	1

** Independent Director*

*** NA – Not Applicable*

(Source: Company annual report 2016)

For both FY2016 and FY2017, Mr. Toh has attended just 2 of the 4 board meetings held in each financial year.

a) **Can shareholders understand if there have been any extenuating circumstances that led to Mr. Toh's absences at the board meetings?**

b) **In Mr. Toh's absence, can shareholders understand how board meetings were conducted?** As the independent Chairman, Mr. Toh had responsibilities including setting the Board meeting agenda and acting as facilitator. **In Mr. Toh's absence, did one of the other independent directors chair the board meeting?**

c) **How can the company secretary work with the directors to ensure better attendance at all the board meetings?**

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