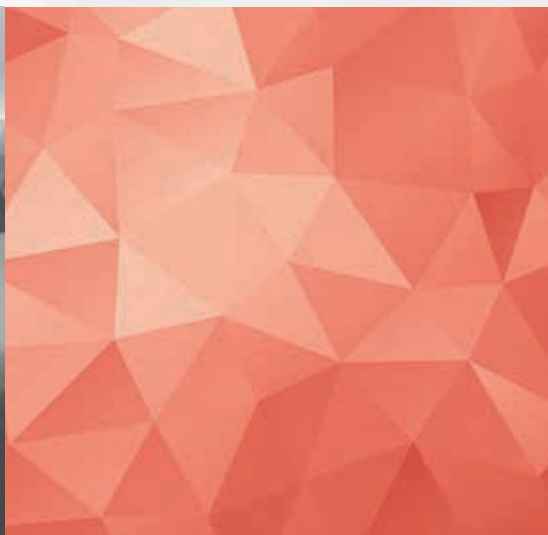
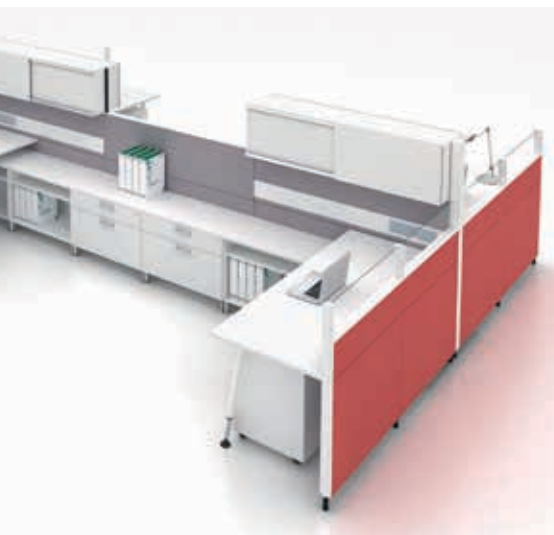


**versa|link**  
Performance by design





This document has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this document. This document has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Mr Yee Chia Hsing, Head, Catalist. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.



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# contents

# Corporate **profile** and Our Business

Since 1991, Versalink Holdings Limited ("Versalink" or the "Company" and, together with its subsidiaries, the "Group") has grown to become one of the leading manufacturers of mid to high-end System Furniture in Malaysia.

The Company attributes its success to Mr Roland Law, the Group's Technical Adviser and father of its CEO, COO and Executive Director of the Company. Mr Roland Law first went into the furniture business in 1979 when he started a business specializing in the manufacture of kitchen cabinets and bedroom furniture.

Today, after more than 20 over years, Versalink has built a wide customer base that spans more than 40 countries in Africa, Australasia, Asia, Middle East and North America. Its customers include architects, contractors, corporate customers, dealers, designers and OEM customers, both in domestic Malaysia as well as overseas.

Being in the business for more than 20 years, Versalink has been endeavoring to develop, design and produce modern system furniture since its establishment. During the years of operations, the Group had received numerous awards and certifications, which is a testament that Versalink is one of the key players in the Malaysian furniture industry.

In order to maintain its position as one of the leaders in system furniture both in Malaysia and in the world, the Group dedicates its resources to continuous research and development to ensure that its system furniture remain in the forefront of revolutionary design. In addition, the Group devotes

its resources to giving back to society by implementing various socially and environmentally responsible practices.

The Group is principally engaged in the design, manufacture and supply of a wide range of system furniture under its "Versalink" brand or on an OEM basis that can be tailored to its customers' specifications.

It also supplies ancillary products such as seating models and work tools that it sources from third party manufacturers. In addition, the Group is also the reseller for various established international third party brand of premium office furniture such as ZÜCO Bürositzmöbel of AG Switzerland and Dauphin Human Design of Germany.

As part of our value-added service to our customers, the Group also provides workspace planning and consulting services to customers who require advice on optimizing their usage of space and/or customization of system furniture.

The Group has two business segments, namely Domestic Sales (Malaysia) and Export Sales.

## DOMESTIC SALES

The Domestic Sales are derived mainly from project sales by way of tenders, and directly negotiated contracts with contractors who operate in the office renovation and fit-out sector, corporate customers who require renovation and fit-out services for their corporate offices and walk in customers who place orders at our showrooms. Other Domestic Sales are derived from sales made to distributors, resellers and retailers, and OEM customers.

## EXPORT SALES

The Export Sales are primarily to overseas dealers such as furniture importers, distributors and furniture retailers who resell the Group's products to end-users through their respective retail networks and furniture brand owners that purchase from the Group on an OEM basis.





# Corporate Information

## BOARD OF DIRECTORS

Dr Tay Chuan Hui (Wilson Tay)  
Chairman  
Independent Non-Executive Director

Law Kian Siong (Matthew Law)  
Group Chief Executive Officer  
Executive Director

Law Pei Ling (Arica Walters)  
Group Chief Operating Officer  
Executive Director

Law Kian Guan (Adam Law)  
Executive Director

Chin Chee Choon  
Independent Director

Chow Wen Kwan  
Independent Director

## AUDIT COMMITTEE

Chin Chee Choon  
(Chairman)  
Dr Tay Chuan Hui (Wilson Tay)  
Chow Wen Kwan

## NOMINATING COMMITTEE

Chow Wen Kwan  
(Chairman)  
Dr Tay Chuan Hui (Wilson Tay)  
Chin Chee Choon  
Law Pei Ling (Arica Walters)

## REMUNERATION COMMITTEE

Dr Tay Chuan Hui (Wilson Tay)  
(Chairman)  
Chin Chee Choon  
Chow Wen Kwan

## COMPANY SECRETARY

Seah Kim Swee, FCIS

## REGISTERED OFFICE

8 Wilkie Road  
#03-01 Wilkie Edge  
Singapore 228095  
T : (65) 6533 7600  
F : (65) 6594 7855

## SHARE REGISTRAR & SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory  
Services Pte. Ltd.  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623

## AUDITORS

RSM Chio Lim LLP  
8 Wilkie Road  
#04-08 Wilkie Edge  
Singapore 228095  
T : (65) 6533 7600  
F : (65) 6594 7811

Audit Partner-in-charge: Pang Hui Ting

## PRINCIPAL PLACE OF BUSINESS

Lot 6119, Jalan Haji Salleh  
Batu 5½, Off Jalan Meru  
41050 Klang  
Selangor Darul Ehsan  
Malaysia  
T : (603) 3392 6888  
F : (603) 3392 3377

## PRINCIPAL BANKER

Malayan Banking Berhad  
Suite 2.01 (Level 2)  
Intan Millennium Square  
68 Jalan Batai Laut 4, Taman Intan  
41300 Klang  
Selangor Darul Ehsan  
Malaysia

United Overseas Bank  
(Malaysia) Berhad  
(Kuala Lumpur Main Branch)  
Level 9, Menara UOB  
Jalan Raja Laut  
50350 Kuala Lumpur  
Malaysia

# Directors'



**Dr Wilson Tay**

Non-Executive Chairman &  
Independent Director

Dr Wilson Tay was re-appointed as an Independent Non-Executive Chairman on 26 June 2015. He is currently the Chief Executive Officer and Principal Consultant of Omni View Consulting (M) Sdn Bhd, a strategic human capital and corporate transformation-consulting firm. At the end of 2013, he retired from his position as the Professor of Management and Dean of the Faculty of Business, Communications and Law at INTI International University in Malaysia. He previously worked as the Chief Executive Officer of Malaysian Institute of Management, Vice President and Head of Technopreneur Development Flagship of Multimedia Development Corporation (Malaysia), Chief Executive Officer of TEC Asia Centre Sdn Bhd in Malaysia and was the Director of Corporate Services at the Art Gallery of Western Australia. Having worked in these senior management positions, he is well qualified and experienced in corporate management.

Dr Wilson Tay is qualified as a Chartered Accountant and Chartered Secretary. He is a Fellow of the Institute of Chartered Accountants in Australia, Fellow of the Australian Society of Certified Practising Accountants in Australia, Fellow of the Institute of Chartered Secretaries and Administrators in Australia and Fellow of the Institute of Corporate Managers, Secretaries and Administrators Ltd. in Australia. He holds a Bachelor's Degree in Business (Accounting), Graduate Diploma in Business and Administration and Master of Business from Western Australian Institute of Technology in Australia, a Doctorate of Management (with Distinction) from the International Management Centres validated by Southern Cross University in Australia.

Matthew Law joined the Group in January 1994 and is currently the Executive Director and Group Chief Executive Officer of the Group. He was appointed as Chief Executive Officer since 2012 and is responsible for the Group's strategic direction and expansion plans, developing and maintaining relationships with the customers and suppliers as well as overseeing the Group's general operations, in particular, the sales, sales support, marketing, research and development, quality assurance and purchasing departments. He has over 22 years of experience in the furniture industry and has been instrumental in the establishment and development of the Group's business.

Matthew Law holds a Bachelor's Degree in Business Administration from Camden University of the USA, and is currently the President of the Kuala Lumpur and Selangor Furniture Industry Association ("KLSFIA") since June 2015. He was the Vice President of the Association since 2011.



**Matthew Law**

Group Chief Executive Officer &  
Executive Director



**Arica Walters**

Group Chief Operating  
Officer & Executive Director

Arica Walters joined the Group in June 1995 and was appointed the Executive Director and Group Chief Operating Officer in 2014. She was the Deputy Chief Executive Officer since 2012. With 21 years of experience in furniture industry, she is responsible for the strategic planning for the business expansion of the Group, overseeing corporate compliance in operational matters as well as overseeing the Group's general operations, in particular, the human resource and administration, finance and accounts, information technology and business development departments.

Arica Walters holds a Diploma in Business Administration, majoring in Marketing, from Singapore Polytechnic and a Bachelor's Degree in Business Studies from Charles Sturt University of Australia.

# Profile

Adam Law joined the Group in September 2005 and is currently the Executive Director. Adam has more than 10 years of experience in the furniture industry and he is in charge of the production, sales, project and site management aspects of the Group and the technical aspects of the products. He also enforces the Group's procedures and policies and oversees the production, logistic and technical departments.

Adam Law holds a National Technical Certificate Grade 3 in Motor Vehicle Mechanics and a Certificate of Apprenticeship in Automotive Technology (Light Vehicles) from the Institute of Technical Education, and a Certificate of Participation (Solid Edge with Synchronous Technology Fundamental Training) from Esolid Solutions Sdn Bhd of Malaysia.



**Adam Law**

Executive Director



Chin Chee Choon was re-appointed to our Board as an Independent Director on 26 June 2015. Chee Choon is currently the Assurance and Advisory Director at Nexia TS Public Accounting Corporation ("Nexia TS"). He is the engagement director for the statutory audit of companies including companies listed on the Singapore Stock Exchange as well as non-profit organisation.

Chee Choon also concurrently heads the Corporate Governance and Risk Advisory Services, and Accounting and Outsourcing Services divisions of Nexia TS. He is also the Lead Independent Director of Choo Chiang Holdings Ltd, a company listed on the Singapore Stock Exchange. Apart from work, Chee Choon is one of the Board of Governors of Spirit of Enterprise, a non-profit organisation promoting and honoring entrepreneurship among youth in Singapore. He also served as a committee member in the Task Forces and Project Committee of the Singapore Institute of Directors. Chee Choon is a Public Accountant and a Chartered Accountant of the Institute of Singapore Chartered Accountants, a Fellow Certified Practising Accountant of CPA Australia and a Certified Internal Auditor. He obtained his Post Graduate Diploma from The University of Oxford in 2015 and graduated with a Bachelor of Accounting from University of South Australia.

**Chin Chee Choon**

Independent Director

Chow Wen Kwan was re-appointed to our Board as an Independent Director on 26 June 2015. He is currently a partner of Bird & Bird ATMD LLP in Singapore. Chow Wen Kwan has more than 15 years of experience in legal practice and his practice focuses on mergers and acquisitions, private equity as well as equity and debt capital markets. He had worked in various international law firms in New York, Hong Kong and Singapore. Chow Wen Kwan graduated with a Bachelor of Laws from the National University of Singapore in 1998 and a Master of Laws from the University of Virginia in 1999. He also holds a certificate in Governance as Leadership from the Harvard Kennedy School. Chow Wen Kwan is qualified to practice in Singapore and New York, USA.



**Chow Wen Kwan**

Independent Director

# Key Management

## Ong Ying Ling

(Group Finance Director)

Ong Ying Ling was appointed as Group Finance Director since April 2012. She is responsible for the financial operations of our Group and is currently assisted by Ms Yoon Hooi Eng, our Group Accountant who has 16 years of experience in the accounting and finance fields. In 1988, she started her career as an Audit Senior I at BDO Binder, Certified Public Accountants, in Malaysia. In 1994, she worked as an Audit Senior II at Ernst & Young, Certified Public Accountants, in Malaysia. In 1995, she became the Group Finance Manager at Super Enterprise Holdings Berhad, a company listed on the main market of Bursa Malaysia. In 2003, she worked as the Group Internal Audit Manager of Super Enterprise Holdings Berhad, and became the Group Finance and Administration Manager in 2004.

Ong Ying Ling has completed the following examinations conducted by the Malaysia Association of Certified Public Accountants: Foundation Examination, Professional Examination I and Professional Examination II (Module 5).

## Ryonn Leong

(Marketing and Business Development Manager)

Ryonn Leong joined the Group in February 2012 as an Export Manager, and is currently the Marketing and Business Development Manager. He is responsible for the marketing aspects of the Group and also assists the Chief Executive Officer in business development.

Ryonn Leong holds a Diploma in Science (Information System Engineering) from Tunku Abdul Rahman College in Malaysia, an Advanced Diploma in Commerce, majoring in Management and

Marketing, from Metropolitan College Malaysia (in collaboration with Curtin University of Technology, Western Australia) and a Bachelor's Degree in Commerce, majoring in Management and Marketing, from Curtin University of Technology of Australia.

## Henry Lim

(Production Manager)

Henry Lim joined the Group in March 2012 as Production Manager. He is responsible for the overall planning and production operations of our Group.

Henry Lim holds a Bachelor's Degree in Science from Campbell University of the USA. He was awarded a Certificate of Achievement for successfully completing the ISO9000:2000 Auditor/Lead Auditor Programme by the International Register of Certificated Auditors and IATCA Compliant in 2004.

## Yoon Hooi Eng

(Group Accountant)

Yoon Hooi Eng joined the Group in January 2014 and is currently our Group Accountant. She reports directly to our Group Finance Director and has been responsible for the financial accounting and reporting function of the Group's business since she joined. She is also involved in the oversight of the Group's treasury functions as well as the day to day accounting and all financial operations of the Group.

She started her career in 1999 as an account and company secretarial assistant at KMK Management Services Sdn Bhd. In 2004, she worked as an Audit Senior at Ng Chin Huan & Associates. In 2007, she worked as a Senior Accounts Executive in GPA Holdings Berhad. In 2009, she worked as an Assistant Accountant at Advance Synergy Berhad.

Yoon Hooi Eng holds a Third Level Group Diploma in Accounting from Systematic College in Malaysia and is certified as a Member by the Association of Chartered Certified Accountants and a Chartered Accountant by the Malaysian Institute of Accountants.

## Len Kwai Keong

(Research and Development Manager)

Len Kwai Keong joined the Group in February 1994 and is currently the Research and Development Manager. He is responsible for the technical drawings, bills of materials and assisted in the design of new products. He started worked as an apprentice in the production for 8 years learning on how to make furniture. In 2011, he was transferred to Research and Development Department as a Designer, and was promoted to Research and Development Supervisor in 2012. He continued to work in the Group, and with his 22 years of work experience and expertise in furniture industry, he was then promoted to be the Research and Development Manager in May 2015.

Len Kwai Keong has extensive knowledge and skills in furniture making, has completed advanced training in Inventor 2008: Advanced Part Modeling, Solid Edge with Synchronous Technology, Autodesk and 3Ds Max.



# Our Philosophy

## We Deliver Solutions

- We believe in delivering furniture of exceptional quality and excellent craftsmanship to meet the needs of our customers.
- We assist our customers in designing an ideal workplace that will facilitate an increase in performance, productivity, foster an environment conducive for innovative brainstorming, and create a sense of well being among the staff.

## We Are Customer-Oriented

- We focus in building strong and mutually beneficial long-term relationships with our customers by providing not only the best products to meet their demands but also long-term customer support.

## We Are Dedicated to Continuous Improvements

- We strive to continuously better ourselves both in meeting our customers' expectations and setting new standards that will exceed those expectations.
- We continuously focus our efforts in research and development, ensuring that our new range will always be on the cutting edge of ergonomic technology while retaining the comfort, durability and aesthetics that we are well known for.

## We Care For Each Other

- We are an equal opportunity employer - we do not discriminate anyone by race, gender or age.
- We value our employees because they are not only the heart and soul of the Versalink family; they are also the foundation for our continuous growth and success.
- We strive to provide a rewarding working environment ripe with opportunities for personal growth and enhancement for our valued staff.

# Group Corporate Structure

**versalink**

**VERSALINK HOLDINGS LIMITED**

Investment Holding

**SINGAPORE**

**100%**

**Versalink (S) Pte. Ltd.**

Dormant

**100%**

**Versalink System Furniture (S) Pte. Ltd.**

Marketing and sale of system furniture and other furniture related products

**MALAYSIA**

**100%**

**Jemaramas Jaya Sdn. Bhd.**

Manufacture, marketing and sale of system furniture and other furniture related products

**100%**

**Versalink Marketing Sdn. Bhd.**

Marketing and sale of system furniture and other furniture related products

**100%**

**Steeltema (M) Sdn. Bhd.**

Dormant

**100%**

**Versalink Technology Sdn. Bhd.**

Dormant



# Financial Highlights

FOR THE YEAR	FY2015 RM'000	FY2016 RM'000
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## Statement of Profit or Loss and Other Comprehensive Income

Revenue	59,784	<b>59,483</b>
Profit Before Tax	2,667	<b>9,204</b>
Profit attributable to owners of the Company	601	<b>7,322</b>

## Statement of Financial Position

Total Assets	76,100	<b>81,540</b>
Equity attributable to owners of the Company	63,055	<b>68,422</b>
Issued and paid-up capital	62,513	<b>62,513</b>

## Ratios

Earnings per Share (Sen)		
- On weighted average number of Ordinary Shares on issue	0.50	<b>5.42</b>
- On fully diluted basis	0.50	<b>5.42</b>
Net Assets per Share (Sen)	46.7	<b>50.7</b>
Return on Shareholders' Fund (%)	1.0%	<b>10.7%</b>
Gross Dividend per Share - First and Final (Singapore cent)	0.50	<b>0.56</b>
Dividend Cover (times)	1.0	<b>9.7</b>



# Awards and Certifications



Enterprise  
50 Award 2001

Golden Eagle Award 2014  
Top 10 Excellent Eagle



MIFF 2016 Furniture Excellence  
Platinum Award, Office Furniture Category



MIFF 2015 Furniture Excellence  
Platinum Award, Office Furniture Category



Enterprise  
50 Award 2002

28<sup>th</sup> International Trophy for Quality  
(New Millennium Award),  
Madrid 2000, Spain



"Winner in Furniture, Decorative Items and  
Homeware Design Category, 2014-2015"





**Golden Eagle Award 2014**  
– Malaysian 100 Excellent Enterprises



**The Ideation Award 2011,**  
**The Best Prototype Maker**



**Industry Excellence Award 2005**  
– Export Category



**PEFC Certificate for**  
**Chain-of-Custody of Forest**  
**Based Products - Requirements**



**FSC Chain-of-Custody Certification**  
FSC-STD-40-004 V2-0 – SGS South  
Africa (Pty) Ltd.



**ISO 9001:2008**  
**Quality Management System**  
For Manufacture of Office  
System Furniture



**ISO 14001:2004**  
**Environmental Management System**  
For Manufacture of Office  
System Furniture



**ANSI/BIFMA Certifications**  
ANSI/BIFMA X5.6-2010 "Panel System"  
ANSI/BIFMA X5.5-2008 "Desk/Table Products"



**ASTM Certifications**  
ASTM C423-09a for sound  
absorption coefficients



**BSI Certifications**  
British Standards 476: Part 6 1989  
+ A1: 2009 for fire propagation



**UL GREENGUARD Certifications**  
Products certified with UL GREENGUARD and  
GREENGUARD GOLD for low chemical emissions

# Chairman's Statement



Dear Shareholders,  
On behalf of the Board of Directors of Versalink Holdings Limited ("Versalink" or the "Company"), it is my pleasure to present to you the Annual Report and the Audited Financial Statements of the Company and its subsidiaries (the "Group") for the financial year ended 29 February 2016.

### FINANCIAL PERFORMANCE

I am pleased to report that the Company has delivered a commendable positive earnings for the financial year ended 29 February 2016 ("FY2016"). The Group's profit before tax was RM9.2 million in FY2016 as compared to RM2.7 million in FY2015. The net profit after tax for FY2016 was RM7.3 million as compared to RM0.6 million in FY2015.

For FY2016, the Group registered a revenue of RM59.5 million compared to RM59.8 million in the previous financial year, representing a decrease of 0.5%. The Export revenue of RM37.0 million remained at the same level as of last financial year in spite of a most challenging year due to the economic outlook for global growth which was broadly unchanged from that of the FY2015.

In our view, the ultimate impact of the oil price slump on global activity has further led to a longer lead time for order placement. Our Domestic revenue recorded a decrease of 2.2% from RM22.9 million to RM22.4 million due to the Malaysian economy remains sluggish especially the retail business. The retail market has seen a continuous slowdown and Malaysian consumers are holding back on spending due to the rising cost of living from the implementation of GST together with the removal of decades old fuel subsidy regime. This has been exacerbated by the severe misalignment in the value of the ringgit exchange rate. These factors have resulted in a diminishing purchasing power which attributed to the lower tender rate and had impacted on the domestic sales over the price hike in local spending.



## Chairman's Statement

### DIVIDEND

The FY2016 although another challenging year, the Group experienced slowdown in both the Export and Domestic segments as compared to FY2015, but remain optimistic about the business moving forward. In keeping with the aim to provide value to shareholders, the Board has recommended a final tax exempt (one-tier) dividend of 0.56 Singapore cent per ordinary share amounting to S\$756,000. The proposal for dividend payment will be presented to our shareholders for their approval at the forthcoming Annual General Meeting ("AGM").

### OUTLOOK AND PROPECTS

The operating performance for the next financial year will continue to be challenging and will be affected by the uncertainties arising from the global economy especially the Export segment due to the continuing oil crisis. Nonetheless, the Group will continue to be vigilant to explore and develop new business opportunities both in Malaysia and overseas whilst managing its costs effectively to grow its profitability with the objective of maximizing the shareholders' value.

### ACKNOWLEDGEMENT AND APPRECIATION

We strongly believe that the Group's accomplishments have been made possible due to the unwavering support rendered to us by our employees, partners and all stakeholders. On behalf of the Board of Directors, I would like to extend our sincere thanks to all our customers, suppliers, principals, business associates, financiers and government authorities for their assistance and continued support towards the Group.

Finally, we would like to express our sincere gratitude to our valued shareholders for their continuous support and confidence in Versalink. And to my Board colleagues, my heartfelt appreciation for their professional guidance and valuable contribution. I also wish to extend my sincere thanks to the management and employees of Versalink for their tireless and persistent efforts, commitment and dedication in contributing to the Group. We will continue to strive together to achieve a better results ahead in FY2017.

**Dr Wilson Tay Chuan Hui**

*Independent Non-Executive Chairman*







# CEO's Statement

## FINANCIAL REVIEW

For the financial year ended 29 February 2016 ("FY2016"), the Group registered RM59.5 million in revenue as compared to RM59.8 million in FY2015.

## OPERATION REVIEW

The Group continue to explore for new business opportunity through vertical integration to undertake new aspects of business operations in the long run. Nonetheless, it is important to plan and implement a growth strategy to develop new market segments and expand existing businesses despite the current economy downturn.

In FY2016, the Group opened its 2 additional new showrooms in Penang and Kota Kinabalu, followed by another new sales office in Saudi Arabia. We believe that the expansion of new showrooms and sales office in these areas will start to produce results as soon as the economy starts to recover.

Since the opening of the showroom and sales office in Iskandar Malaysia, Johor Bahru, the branch has been successfully in penetrating new markets to Asia-Pacific region which had contributed positively to the Export segment.





Dear Shareholders,  
Amidst a slowdown in global economy, and faced with uncertainties and challenges in both the Export and Domestic segments, the Group remained resilient and posted a commendable 245% increase in profit before tax of RM9.2 million for the financial year ended 29 February 2016 as compared to RM2.7 million for the previous financial year.



## CEO's Statement

### GOING FORWARD

The prospect for the Group remains positive yet challenging with the ever increasing volatility in the current market environment.

Moving ahead, the Group continue in its endeavor to grow the business by actively seeking out viable business venture, and capitalise on opportunities in the market through expansion programs, also continually to strive for high efficiency and productivity to remain cost effective which would increase both our capacity and capability, in meeting the challenges before us.

To meet the many challenges ahead, the Group is positioning itself to be more competitive with strong financial standing and healthy cash flow that also demonstrate the resilience of our business model through different phases of the market cycle.





**ACKNOWLEDGEMENTS**

In closing, I would like to thank the management team and our staff for their enthusiasm, hard work and contributions, which have allowed us to further strengthen our Company's position as Malaysia's leading System Furniture manufacturer during the tough times and propelling it towards successive growth.

I would also like to express my sincere appreciation and acknowledge our customers, principals, business associates for their unwavering support, confidence and trust in us.

My sincere thanks to the Board of Directors for their professional guidance, advice and insights. I look forward to your continued support as we take Versalink to greater heights.

**Matthew Law Kian Siong**

*Group Chief Executive Officer*

# Corporate social Responsibility

We recognize that for long-term sustainability, we need to look beyond the financial parameters and strike a balance between business profitability and corporate social responsibility. We have taken various steps to play our part in contributing to the welfare of the society and communities in the environment we operate in. Hence, we support important causes such as environmental preservation, donation to the needy, and community services.



Some of our initiatives include:

## **GIVING BACK TO THE COMMUNITY**

We regularly support various services and activities within our community. We have made donations and provided sponsorships to, amongst others, schools, orphanages and old folks homes. Further, we are also involved in annual community services projects at various charitable organizations.

## **ENVIRONMENTAL PRESERVATION**

We are committed to the responsible use and protection of the natural environment through conservation and sustainable practices. We strive to reduce the environmental impact of our manufacturing operations by substituting raw materials with environmentally friendly alternatives. Besides adopting environmentally friendly internal guidelines on electricity, water, power and paper conservation, we also issue periodic internal newsletters that feature articles on environmental preservation.

We have established committee dedicated to environment and sustainability governance such as ISO14000, Greenguard, FSC Chain-of-Custody and PEFC.





### OCCUPATIONAL SAFETY AND HEALTH

Versalink's approach to managing safety and health at work place is driven by a core belief in being a responsible business. Our senior management and managers are responsible for continuing to reduce risk and improving our performance in these areas. A committee has also been set up to monitor the compliance of the safety and health standards with regular structured interactions with the management team. Maintaining a strong focus on safety, health and hazards that could result in serious injuries or fatalities continues to be key for us.

# Corporate Governance Report

The Board of Directors (the “Board”) of Versalink Holdings Limited (the “Company”) and its subsidiaries (the “Group”) are committed to maintaining a high standard of corporate governance within the Group. Good corporate governance establishes and maintains a legal and ethical environment in the Group to protect the interests of the shareholders of the Company and to maximize long-term shareholders’ value.

This report (this “Report”) describes the Group’s corporate governance structures and practices currently in place with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the “Code”) and, where applicable, the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual: Section B Rules of Catalyst (the “Catalist Rules”).

The Board is pleased to confirm that for the financial year ended 29 February 2016, the Group has adhered to the principles and guidelines as set out in the Code. Where there are deviations from the Code, appropriate explanation have been provided.

## A. BOARD MATTERS

### The Board’s Conduct of its Affairs

***Principle 1: 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 the Management remains accountable to the Board.***

The Board is responsible for overall corporate governance, strategic direction, formulation of policies and overseeing the investment and business of the Company. The Board supervises the Management on the businesses and affairs of the Company. The main roles of the Board, apart from its statutory responsibilities, are to:

- (a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- (b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets;
- (c) review management performance;
- (d) identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;
- (e) set the Company’s values and standards and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (f) consider sustainability issues in the formulation of its strategies.

To assist the execution of its responsibilities, the Board has formed three (3) committees: (i) Audit Committee (“AC”); (ii) Nominating Committee (“NC”); and (iii) Remuneration Committee (“RC”) (collectively referred herein as the “Board Committees”). The Board Committees were formed at the time of our listing on the SGX-ST and are chaired by Independent Directors. The Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

The Executive Directors also supervise the management of the business and affairs of the Company, and in order to ensure that the Group’s operations are not disrupted, the meetings of the Board and the Board Committees are scheduled prior to the start of each financial year. Ad-hoc meetings are also convened when circumstances require, and/or resolutions in writing of the Board are circulated for matters that require the Board’s approval. The Company’s Constitution permits the Directors of the Company to attend meetings through the use of audio-visual communication equipment.



The attendances of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings held during the financial year ended 29 February ("FY") 2016 are as follows:

Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Dr Wilson Tay	2	2	2	2	1	1	1	1
Matthew Law	2	2	2	2*	1	1*	1	1*
Arica Walters	2	2	2	2*	1	1	1	1*
Adam Law	2	2	2	2*	1	1*	1	1*
Chin Chee Choon	2	2	2	2	1	1	1	1
Chow Wen Kwan	2	2	2	2	1	1	1	1

\* By invitation

The Company has adopted internal guidelines on the following matters that are reserved for Board's decision and/or approval:-

- overall business strategies;
- corporate governance and compliance;
- financial performance and result announcements;
- audited results and annual reports;
- annual budgets, investment and divestment proposals;
- material acquisition and disposal of assets;
- internal controls and risks management;
- declaration of interim dividends and proposed final dividends; and
- all matters, which are delegated to Board Committees, are to be reported to and monitored by the Board.

The Company has in place orientation programs for newly appointed Directors to familiarize with the Group's operations, business issues and the relevant regulations and governance requirements. Upon appointment, each Director was provided with a formal letter of appointment setting out their duties, obligations and terms of appointments. For FY2016, there was no new director appointed to the Board.

The Directors are updated on pertinent developments in the Group's business, including changes in laws and regulations, financial reporting standards and industry-related matters. Directors are encouraged to attend seminars and participate in training courses to enable them to perform effectively as Directors. Seminar announcements are communicated to them regularly. The Company will arrange and will bear the cost of such training for the Directors.

The Company Secretary will attend all Board and Board Committee meetings. He is responsible for ensuring that procedures are followed and that the Company has complied with the requirements of the Companies Act and all other rules and regulations that are applicable to the Company. The Directors have independent access to the Company Secretary at all times.

## Corporate Governance Report

### Board Composition and Guidance

***Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment 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.***

As at the date of this Annual Report, the Board comprises three (3) Executive Directors and three (3) Independent Directors and their membership on the Board Committees are as follows:

Name of Director	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Dr Wilson Tay	Non-Executive Chairman & Independent Director	Member	Member	Chairman
Matthew Law	Executive Director & Group Chief Executive Officer	–	–	–
Arica Walters	Executive Director & Group Chief Operating Officer	–	Member	–
Adam Law	Executive Director	–	–	–
Chin Chee Choon	Independent Director	Chairman	Member	Member
Chow Wen Kwan	Independent Director	Member	Chairman	Member

The Board considers an Independent Director as one who has no relationship with the Company, the related companies, its ten per cent (10%) shareholders or the officers that could interfere, or be reasonably perceived to interfere, with the exercise of that Director's independent judgment of the conduct of the Group's affairs. The independence of each Director is reviewed annually by the NC in accordance with the definition of independence in the Code. Each Director is required to disclose to the Board any relationships or circumstances as and when they arise, which are likely to affect, or could appear to affect the Director's judgment.

The NC has reviewed and has identified each of the Company's Independent Directors to be independent. As half of the Board is made up of Independent Directors, the NC believes the Board shall be able to exercise independent judgment on corporate affairs and ensures that no one individual or groups of individuals dominate any decision making process. The NC is of the view that the Board has a good balance of Directors who have extensive business, financial, accounting and management experience, who as a group, provides core competencies necessary to meet the Group's objectives. For details on the experiences and responsibilities of the Directors, please refer to their profiles set out in pages 4 and 5 of this Annual Report.

The Board has three [3] non-executive Directors (all of whom are independent Directors) who endeavour to constructively challenge and help develop proposals on strategy and to review the performance of management in meeting goals and objectives. During the year, the non-executive Directors communicated among themselves without the presence of management as and when the occasions warrant. The Company also co-ordinates informal sessions for non-executive Directors to meet on a need-basis without the presence of the management.

### Chairman and Group Chief Executive Officer

***Principle 3: 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.***

Dr Wilson Tay is the Non-Executive Chairman and Independent Director and Mr Matthew Law is the Group Chief Executive Officer. There is a clear division of responsibilities between the Non-Executive Chairman and the Group Chief Executive Officer, which provides a balance of power and authority.

The Non-Executive Chairman sets the tone for the conduct of the Board and ensures the Group adhere to best corporate governance practices as prescribed by the Code. He leads the Board to ensure its effectiveness on all aspects of its role, ensures that the Board holds regular meetings and ensures the timeliness and quality of information flow between the Board and the Management. He also encourages constructive relations within the Board and between the Board and Management.

The Group Chief Executive Officer is responsible for the business and operational decisions of the Group. He is also responsible for the day-to-day operations of the Group and implementations of the Board's decisions.

The balance of power and authority is further enhanced by the Board Committees which are all chaired by Independent Directors.

### Board Membership

***Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.***

The Nominating Committee ("NC") is established for the purposes of ensuring that there is a formal and transparent process for all Board appointments. Our NC comprises the Company's three (3) existing Independent Directors, Chow Wen Kwan, Dr Wilson Tay, Chin Chee Choon and Arica Walters. The Chairman of the NC is Chow Wen Kwan.

The NC is authorized by the Board to:

- (a) to make recommendations to the Board on the appointment and re-appointment of Directors (including Alternate Directors, if applicable).
- (b) to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary.
- (c) to determine the process for the search, nomination, selection and appointment of new Board members and assess nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent.
- (d) to review Board succession plans for Directors, in particular, the Chairman and Group Chief Executive Officer.
- (e) to develop a process for the evaluation of performance of the Board, its Board committees and Directors.
- (f) to determine how the Board's performance may be evaluated and propose objective performance criteria.
- (g) to assess the effectiveness of the Board as a whole and its Board committees and to assess the contribution by the Chairman and each individual Director to the effectiveness of the Board.
- (h) to review training and professional development programs for the Board.

## Corporate Governance Report

- (i) to determine, on an annual basis, if a Director is independent.
- (j) to make recommendations to the Board for the continuation (or not) in the services of any Director who has reached the age of seventy (70) years, where appropriate.
- (k) to recommend Directors who are retiring by rotation or are newly appointed to be put forward for re-election.

All Directors are required to submit themselves for nomination and re-election at regular intervals and at least once every three (3) years. Directors appointed as an additional Director or to fill any casual vacancy shall hold office only until the next Annual General Meeting ("AGM") and shall be eligible for re-election.

- (l) to review and determine whether the Director is able to and has been adequately carrying out his duties as a Director of the Company, taking into consideration the Director's number of Board representations on listed companies and other principal commitments.
- (m) Such other duties or functions as may be delegated by the Board or required by regulatory authorities.

Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

The NC considers and recommends to the Board the appropriate structure, size and needs of the Board, with regard to the appropriate skills mix, personal qualities and experience required for the effective performance of the Board. The NC also recommends all appointments and retirements of Directors and considers candidates to fill new positions created by expansion or vacancies that occur by resignation, retirement or for any other reasons.

Candidates are selected based on their character, judgment, business experience and acumen. Where a Director has multiple board representations, the NC will evaluate if a Director is able to and has been adequately carrying out his or her duties as Director of the Company. Despite some of the Directors having other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. The NC has determined that each of the Independent Directors should not hold more than six (6) listed company board representations and other principal commitments.

The Company's Constitution provides that at each AGM of the Company, not less than one third of the Directors (who have been longest in office since their appointment or re-election) are to retire from office by rotation. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM.

In this respect, the NC has recommended and the Board has agreed for the following Directors to retire and seek re-election at the forthcoming AGM:

Pursuant to Article 114 of the Constitution of the Company:

- (i) Matthew Law
- (ii) Dr Wilson Tay

Dr Wilson Tay, being a member of the NC, has abstained from deliberation in respect of his own nomination and assessment.

The NC has reviewed the independence of the Board members and is of the opinion that Dr Wilson Tay, Mr Chin Chee Choon and Mr Chow Wen Kwan are independent. Each of these Directors has also declared that they are independent.



Key information regarding the Directors is set out in pages 4 and 5 of this Annual Report.

In respect to FY2016, the NC is of the view that each Director had discharged his duties adequately.

### **Board Performance**

***Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.***

The NC has assessed the performance and effectiveness of the Board as a whole and the Board Committees on an annual basis. The evaluation of the Board performance is based on objective performance criteria which include attainment of agreed targets, performance of the Board, attendance and contribution of each Director during Board meetings.

In evaluating the Board performance, assessment is conducted by the NC at least once a year by way of a Board Assessment Checklist where all the Directors are to complete the checklist on the effectiveness level of various aspects of Board performance, such as Board structure, conduct of meetings, corporate strategy and planning, risk management and internal control and communicating with shareholders. The performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes.

The NC, having reviewed the overall performance of the Board and the Board Committees in terms of its roles and responsibilities and the conduct of its affairs as a whole is of the view that the performance of the Board and each individual Director has been satisfactory.

The NC has determined that given the number of Directors of the Company, size of the Board, the background, expertise and the participation in the Board meetings of the Company, it is not necessary to evaluate the individual performance of each Director.

The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. Where necessary, the NC will consider such engagement.

### **Access to Information**

***Principle 6: In order to fulfill their responsibilities, Board members 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.***

The Company recognizes the importance of continual dissemination of relevant information that is explicit, accurate, timely and vital to the Directors in carrying out their duties. As such, the Directors requires the Management to provide half-yearly reports to the Board on the financial statement for their review, and allowing the Directors to have the awareness of the Group's financial position. The Board has also been given detailed information concerning the Group's business operations periodically.

In exercising their duties, the Directors have unrestricted access to the Company's Management, Company Secretary and Independent Auditors. The attendance of the Company Secretary and Sponsor at all the meetings held by the Board and/or the Board Committees ensures that procedures for these meetings (including those stipulated in the Constitution) are followed and that applicable rules and regulations, including the requirements of the Singapore Companies Act, Chapter 50 and the Singapore Exchange Securities Trading Limited, are complied with.

## Corporate Governance Report

The appointment and removal of the Company Secretary are subject to the approval of the Board. Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their duties and responsibilities as Directors.

### B. REMUNERATION MATTERS

#### Procedures for Developing Remuneration Policies

***Principle 7: 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.***

The Remuneration Committee ("RC") comprises the Company's three (3) existing Independent Directors, Dr Wilson Tay, Chin Chee Choon and Chow Wen Kwan. The Chairman of the RC is Dr Wilson Tay.

The RC is authorized by the Board to:

- (a) review and recommend to the Board a general framework of remuneration for the Board and key management personnel and to review and recommend to the Board the specific remuneration packages and terms of employment for each Director, key management personnel of the Group and employees related to Directors or, controlling shareholders of the Group.
- (b) review whether the Executive Directors and key management personnel should be eligible for benefits under any long-term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.
- (c) administer the performance based Bonus scheme and any other share option scheme or share plan established from time to time for the Directors and key management personnel.
- (d) carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors.
- (e) consider the disclosure requirements for Directors' and key management personnel's remuneration as required by the SGX-ST and according to the Code.

The RC has full authority to obtain external professional advice on matters relating to remuneration should the need arises. In respect of fees for Directors, approval of shareholders is required at each Annual General Meeting of the Company.

#### Level and Mix of Remuneration

***Principle 8: 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.***

The RC carries out annual reviews of the remuneration packages of the Board and the key management personnel. In reviewing the remuneration packages, the RC takes into account the current market circumstances and the need to attract and retain Directors of experience and good standing.

Our Executive Directors have entered into service agreements with the Company, subject to renewal. The Service Agreements are for a period of two (2) years with effect from the date of admission of the Company on Catalist (unless otherwise terminated by either party giving not less than six (6) months' notice, or such shorter period as may be mutually agreed between the parties, to the other). The Company may also at any time forthwith terminate the Service Agreements of the Executive Directors if he or she, inter alia, be guilty of any dishonesty, gross misconduct or willful neglect of duty or commit any continued material breach of the provisions of his/her respective Service Agreement, becomes bankrupt or persistently refuses to carry out any reasonable lawful order given to him/her in the course of his/her employment or persistently fails diligently to attend his/her duties.

Pursuant to their respective Service Agreements, Matthew Law, Arica Walters and Adam Law are entitled to a fixed monthly salary and an annual wage supplement of two (2) month's basic salary, to be pro-rated accordingly if the period of employment of the Executive Director for the relevant financial year is shorter than six (6) calendar months.

In addition, Matthew Law and Arica Walters are also entitled to a performance bonus (the "Performance Bonus") in respect of each financial year commencing from and including FY2016, which is calculated based on the consolidated net profit before tax ("NPBT") and exceptional items of our Group, before taking into account the Performance Bonus as follows:

<b>NPBT</b>	<b>Performance Bonus</b>
RM15 million ≤ NPBT ≤ RM30 million	0.8% of the amount of the NPBT in excess of RM15 million and subject to a cap of RM120,000.00
RM30 million < NPBT ≤ RM40 million	RM120,000.00 plus 0.5% of the amount of NPBT in excess of RM30 million and subject to an aggregate cap of RM170,000.00
NPBT > RM40 million	RM170,000.00 plus 0.3% of the amount of NPBT in excess of RM40 million

The long-term incentive schemes of the Company are the Versalink Performance Share Plan ("the Plan") and Versalink Employee Share Option Scheme ("the Scheme"). The RC is responsible for the administration of the Scheme and the Plan in accordance with the rules of both schemes.

No awards were granted during FY2016 under the Scheme and the Plan.

The Independent Directors receive Directors' fees, and the Non-Executive Chairman receive chairman's fee and attendance fee, in accordance with their contributions, taking into account factors such as effort and/or time spent, the responsibilities of the Independent Directors and the need to pay competitive fees to attract, retain and motivate the Independent Directors. The RC ensures that the Independent Directors are not overly compensated to the extent their independence may be compromised. No Director is involved in deciding his or her own remuneration package.

The Company does not intend to use contractual provisions to allow it 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 Group. The Executive Directors owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

## Corporate Governance Report

### Disclosure on Remuneration

**Principle 9: Each Company should provide clear disclosure of its remuneration policy, 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 executives, and performance.**

The various components of the remuneration of Directors and key management personnel of the Group for FY2016 in percentage are disclosed below. The remuneration received by Directors and key management personnel for FY2016 in each case are below S\$250,000. The Company has not fully disclosed the remuneration of its Directors and key management personnel as the Board is of the view that it is not in the interests of the Company to disclose such details due to the sensitive nature of such information. Disclosure of remuneration in bands for services rendered during the financial year ended 29 February 2016 are as follows:

Name of Director	Salary	Bonus	Directors' Fees	Allowances & Other Benefits	Total remuneration
	%	%	%	%	%
<b>Up to S\$250,000</b>					
Matthew Law	87	–	–	13	100
Arica Walters	88	–	–	12	100
Adam Law	88	–	–	12	100
Dr Wilson Tay	–	–	98	2	100
Chin Chee Choon	–	–	100	–	100
Chow Wen Kwan	–	–	100	–	100
Name of key management personnel	Salary	Bonus	Directors' Fees	Allowances & Other Benefits	Total remuneration
	%	%	%	%	%
<b>Up to S\$250,000</b>					
Ong Ying Ling	79	6	–	15	100
Yoon Hooi Eng	81	7	–	12	100
Lim Kok Hean	79	7	–	14	100
Leong Yap Siong	79	7	–	14	100
Len Kwai Keong	64	6	–	30	100



The remuneration of employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S\$50,000 during FY2016 are as follows:-

Remuneration Band and name of employee	Relationship
<b>From S\$150,001 – S\$200,000</b>	
Law Boon Seng	Father of Matthew Law, Arica Walters and Adam Law
<b>From S\$100,000 – S\$150,000</b>	
Lee Yuet Chin	Spouse of Law Boon Seng

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Group's compensation policies and practices. The remuneration of employees related to the Directors and Substantial Shareholders of the Company will also be reviewed annually by the RC.

## C. ACCOUNTABILITY AND AUDIT

### Accountability

***Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.***

One of the Board's principal duties is to promote and protect the long-term value and returns to the Shareholders, and accepts that it is accountable to the shareholders and adopts best practices to maintain shareholders' confidence and trust. Currently, the Company is required to release half-yearly and full year results announcements pursuant to the SGX-ST Listing Manual. The announcements are released via SGXNET within the respective periods stipulated in the SGX-ST Listing Manual after review by the Board. In presenting half-yearly and full year financial statements, the Board strives to provide the shareholders with detailed analysis and a balanced and understandable assessment of the Company's performance, financial position and prospects.

In accordance with Rule 705(5) of the Catalist Rules, during FY2016, the Board issued negative assurance statement in its interim financial results announcements confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements to be false or misleading in any material aspect.

### Risk Management and Internal Controls

***Principle 11: 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 the shareholders' investments 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.***

The Board is responsible for the governance of risk of the Group and maintains a system of internal controls and risk management to safeguard shareholders' interests and the Group's assets.

The Audit Committee ("AC"), through the assistance of internal and external auditors, reviews and reports to the Board on the adequacy of the Company's system of internal controls and risk management, including financial, operational and compliance and information technology controls and to risk management policies and systems established by the Management. In assessing the effectiveness of internal controls, the AC ensures that the key objectives are met, material assets are safeguard and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.

## Corporate Governance Report

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no system or internal control provide absolute assurance against the occurrence of material financial misstatement or losses, poor judgment in decision-making, human errors, fraud or other irregularities.

For FY2016, the Board and the AC have obtained assurances from the Group Chief Executive Officer and Group Finance Director for the following:-

- (i) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.
- (ii) that the Group's risk management and internal control systems in place are adequate and effective in addressing the material risks of the Group in its current business environment including financial, operational, compliance and IT risks.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, risk assessment reports, assurance from the Group Chief Executive Officer and Group Finance Director and reviews performed by the management, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Company as at 29 February 2016.

### Audit Committee

***Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.***

The Audit Committee ("AC") comprises the Company's three (3) existing Independent Directors, Chin Chee Choon, Dr Wilson Tay and Chow Wen Kwan. The Chairman of the AC is Chin Chee Choon.

The AC members possess many years of experience in accounting, legal, business and financial management. The Board considers that the AC members are appropriately qualified to discharge the responsibilities of the AC.

The role of the AC is to assist the Board with discharging its responsibility to:

- a) safeguard the Group's assets;
- b) maintain adequate accounting records;
- c) develop and maintain effective systems of internal controls and risk management;
- d) ensure integrity of financial statements;
- e) provide arrangements whereby concerns on financial improprieties or, other matters raised by 'whistle-blowers' are investigated and appropriate follow up action taken.

The AC meets at least twice a year:

- (a) to review significant financial reporting issues and judgments to ensure integrity of the financial statements of the Company; and any announcements relating to the Company's financial performance.
- (b) to review and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management policies (such review can be carried out internally or with the assistance of any competent third parties).
- (c) to review at least annually the adequacy and effectiveness of the Company's internal audit function including ensuring it is staffed with persons with the relevant qualifications and experience.
- (d) to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.
- (e) to review the internal audit program and ensure co-ordination between the internal and external auditors and Management.
- (f) to review the scope and results of the internal audit procedures.
- (g) to review the scope and results of the external audit, and the independence and objectivity of the external auditors.
- (h) to approve the hiring, removal, evaluation and compensation of the Head of the Internal Audit function, or accounting/auditing firm or corporation if the internal audit function is outsourced.
- (i) to make recommendations to the Board on proposals to shareholders on the appointment, re-appointment, resignation and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.
- (j) to ensure co-ordination where more than one (1) auditing firm or corporation is involved.
- (k) review with the internal and external auditors:
  - (i) their audit plan, including the nature and scope of the audit before the audit commences;
  - (ii) their evaluation of the system of internal controls;
  - (iii) their audit report; and
  - (iv) their management letters and Management's responses.
- (l) to review interested person transactions (IPTs) falling within the scope of the SGX-ST Listing Manual on a half-yearly basis.
- (m) to review the half-yearly and full year financial statements of the Company before submission to the Board for approval, focusing in particular, on:
  - (i) changes in accounting policies and practices;
  - (ii) major risk areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern statement;
  - (v) compliance with accounting standards;
  - (vi) compliance with stock exchange and statutory/regulatory requirements.



## Corporate Governance Report

- (n) to review the audited financial statements of the Company and the consolidated balance sheet and profit & loss account, before approval by the Board.
- (o) to discuss problems and concerns, if any, arising from half-yearly and/or full year audits, in consultation with the internal and external auditors, where necessary.
- (p) to meet with the external and internal auditors without the presence of Management, at least annually, to discuss any problems or concerns they may have.
- (q) to ensure where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by Management.
- (r) to review the assistance given by Management to the internal and external auditors.
- (s) to review annually the independence of the external auditors, the aggregate amount of fees paid to the external auditors for the financial year and the breakdown of the fees paid in total for audit and non-audit services respectively.
- (t) to review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any applicable law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response.
- (u) to review the policy and arrangements by which staff of the Company or of the Group and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters; and conduct an independent investigation of such matters for appropriate follow-up action pursuant to the Company's whistle-blowing program.
- (v) to investigate any matter within the Terms of Reference, with full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its function properly.
- (w) to report to the Board its findings from time to time on matters arising and requiring the attention of the Committee.
- (x) to undertake such other reviews and projects as may be requested by the Board.
- (y) to undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

The AC is authorized to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Group. The AC has full access to the Management and also full discretion to invite any Director or key management personnel to attend its meetings, and will be given resources to enable it to discharge this function.

The AC has met with the external auditors and internal auditors without the presence of the Company's Management at least once a year.

The AC, having reviewed the scope and value of non-audit services provided to the Group by the external auditors, RSM Chio Lim LLP, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC has recommended to the Board the nomination of RSM Chio Lim LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting. The Company has complied with Rules 712 and 715 of the Catalist Rules in relation to its external auditors.

Details of the aggregate amount of audit and non-audit services paid or payable to the external auditors during the financial year ended 29 February 2016 are disclosed in Note 6 set out on page 69 of the Annual Report.

### **Whistle-blowing Policy**

To encourage proper work ethics and deter any wrongdoing within the Group, the Group has established a whistle-blowing policy that stipulates the mechanism by which concerns about such plausible improprieties may be raised. To provide a channel for both employees and external parties to raise concerns and issues in good faith on possible corruption, suspected fraud and other non-compliance issues, a dedicated email address allows whistle blowers to contact the AC directly.

The AC will address the issues or concerns raised and ensure that necessary arrangements are in place for independent investigation of issues raised by the employees or external parties and also appropriate follow-up actions based on the results of the investigation. Where appropriate or required, a report shall be made to the relevant authorities for further investigation or action.

Information received pertaining to whistle-blowing will be treated with confidentiality and restricted to the designated persons-in-charge of the investigation to protect the identity and interest of whistle-blowers.

In addition, no former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

### **Internal Audit**

***Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.***

The Board recognizes its responsibilities for maintaining a sound system of risk management and internal control processes to safeguard shareholders' investments and the Group's assets and business.

The Company has established an internal audit function that is independent of the activities it audits. As recommended by the Audit Committee ("AC"), the Company has outsourced the internal audit function to an independent corporation, NGL Tricor Governance Sdn Bhd ("NGL Tricor"). The internal auditors report functionally to the Chairman of AC and administratively to the Group Chief Operating Officer. A risk-based internal audit plan was approved by the AC and the results of the audit findings were submitted to the AC for its review. The internal audit function primarily focuses on assessing whether the current system of risk management and internal control provides reasonable assurance on:

1. compliance with applicable laws, regulations, policy and procedures;
2. reliability and integrity of information; and
3. safeguarding of assets.

During the financial year ended 29 February 2016, NGL Tricor reviewed key internal controls in selected areas based on a risk-based internal audit plan and reported its findings together with recommendations on areas for improvement for the AC's attention, so as to improve the adequacy and effectiveness of internal controls. The AC is satisfied that the Group's outsourced internal audit function is adequately resourced and has appropriate standing within the Group. The AC is also satisfied that the internal auditors carry out its function in accordance with the International Professional Practices Framework for Internal Auditing from the Institute of Internal Auditors.

## Corporate Governance Report

### D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

#### Shareholder Rights

***Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.***

All shareholders are treated fairly and equitably to facilitate their ownership rights. In line with the continuing disclosure obligations of the Company pursuant to the SGX-ST Listing Manual and the Singapore Companies Act, Chapter 50, the Board's policy is that all shareholders should be regularly informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

Shareholders can vote in person or appoint not more than two (2) proxies to attend and vote on their behalf at general meetings of shareholders. The Company will consider amending its Constitution at an appropriate time to allow corporations which provide nominee or custodial service to appoint more than two (2) proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

#### Communication with Shareholders

***Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.***

The Company endeavors to maintain constant and effective communication with Shareholders through timely and comprehensive announcements in order to maintain a high standard of transparency and to promote better investor communications.

Information is communicated to shareholders on a timely basis through:

- The Annual Report, containing the full financial statements of the Company and the Group;
- Notices of Annual General Meeting/Extraordinary General Meeting ("AGM/EGM");
- Press release on major developments of the Company;
- SGXNET announcements;
- The Company's website at [www.versalink.com](http://www.versalink.com) where shareholders can access information on the Company. The website provides, inter alia, corporate announcements, press releases, annual reports and profiles of the Company.

The Company does not practice selective disclosure and price sensitive information is publicly released on an immediate basis where required under the SGX-ST Listing Manual. However, in the event that unpublished material information is inadvertently disclosed to any selected person in the course of the Group's interactions with the investing community, a media release or announcement will be released to the public via SGXNET to disclose and/or address such material information.

The Company does not have a fixed dividend policy. The form, frequency and amount of future dividends on our Shares that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Directors:

- a) the level of our cash and retained earnings;
- b) our actual and projected financial performance;
- c) our projected levels of capital expenditure and other investment plans;
- d) our working capital requirements and general financing condition;
- e) restrictions on payment of dividends imposed on us by our financing arrangements (if any); and
- f) the general economic and business conditions in countries in which we operate.

Subject to the above, our Directors intend to recommend and distribute dividends of not less than thirty per cent (30%) of our net profits after tax attributable to our Shareholders in each of FY2015 and FY2016 (the "Proposed Dividends"). However, investors should note that all the foregoing statements, including the statements on the Proposed Dividends, are merely statements of our present intention and shall not constitute legally binding statements in respect of our future dividends which may be subject to modification (including reduction or non-declaration thereof) at our Directors' sole and absolute discretion.

Not with standing the foregoing, any payout of dividends would be clearly communicated to Shareholders via announcement released on SGXNET. In FY2016, the Board is proposing a final tax exempt (one-tier) dividend of 0.56 Singapore cent per ordinary share which is subject to the approval of the shareholders at the forthcoming AGM.

### Conduct of Shareholder Meetings

***Principle 16: 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.***

The Annual General Meeting ("AGM") of the Company is a principal forum for dialogue and interaction with all shareholders. Shareholders are encouraged to attend the AGM. This allows shareholders the opportunity to communicate their views on various matters affecting the Company and to stay informed of the Company's strategy and goals. To facilitate Shareholders' effective participation at general meetings, the Company holds its general meetings at venues which are convenient and accessible to Shareholders. The Chairman of the Audit Committee, Remuneration Committee and Nominating Committee and external auditors are normally present at the meeting to address relevant questions. Shareholders are also given the opportunity to communicate their views and to ask the Directors and Management questions regarding the Group.

Information on general meetings is disseminated through notices in the annual report or circulars sent to all shareholders. Notices of general meetings are also released via SGXNET and published in the local newspapers, as well as posted on the Company's website.

The Company Secretary prepares minutes of the general meetings, which incorporate substantial comments or queries from shareholders and responses from the Board and the Management. These minutes would be made available to shareholders upon request.



## Corporate Governance Report

The Company maintains separate resolutions at general meetings on each substantially separate issue. Each item of special business included in the notice of meetings will be accompanied by the relevant explanatory notes. This is to enable the shareholders to understand the nature and effect of the proposed resolutions.

Resolutions are put to vote by poll and the detailed results of the number of votes cast for and against each resolution and the respective percentages are announced for each resolution.

### DEALINGS IN SECURITIES

The Company has adopted a policy whereby its Directors and employees are prohibited from dealing in the securities of the Company while in possession of price-sensitive information as well as during the period commencing one (1) month before the announcement of the Company's half-yearly and full-year results and ending on the date of the announcement of the relevant results. The Directors and officers are to refrain from dealing in the Company's securities on short-term considerations.

The Directors and employees are also required to adhere to the provisions of the Securities and Futures Act, Companies Act, the Catalist Rules and any other relevant regulations with regard to their securities transactions.

Directors and employees are also expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period.

### INTERESTED PERSON TRANSACTIONS

The Group has established internal control policies to ensure that transactions with interested persons are properly reviewed and approved, and are conducted at an arm's length commercial terms basis. Any Director who is interested in a transaction will abstain and refrain from deliberating, discussing, making recommendations and approving the transaction. The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920(1) (a) of the Catalist Rules.

However, pursuant to Rule 905 of the Catalist Rules, the aggregate value of interested person transactions entered into during FY2016 is as follows:

Name of Interested Person	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 of the Catalist Rules)	Aggregate value of all interested person transactions conducted than under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S\$100,000)
BSL Venture Sdn Bhd - Factory building lease expense	S\$79,245.19	NIL

**MATERIAL CONTRACTS**

Rule 1204(8) of the Catalist Rules

Save for the material contracts previously disclosed in the Offer Document and in the Company's announcements, there are no other material contracts entered into by the Company or any of its subsidiaries involving the interest of any Director, Group Chief Executive Officer or controlling shareholder, either still subsisting as at the end of financial year or if not then subsisting or entered into since the end of the previous financial year.

**NON-SPONSOR FEES**

Rule 1204(21) of the Catalist Rules

There are no non-sponsor fees paid to the Sponsor for the financial year ended 29 February 2016.

**USE OF IPO PROCEEDS**

Rule 1204(22) of the Catalist Rules

As at the date of this Report, the net IPO proceeds of S\$7,500,000 (after deduction of IPO expenses of approximately S\$4,601,000 have been utilized. The use of the net IPO proceeds is in accordance with the stated use and is in accordance with the percentage allocated in the Offer Document.

Intended Usage in accordance with the Offer Document	Allocation	Amount Utilised	Amount Unutilised
	S\$'000	S\$'000	S\$'000
Acquisition of new machinery and setting up of new production facilities	3,765	811	2,954
Marketing, advertising and promotional activities	750	750	–
Working capital <sup>(1)</sup> and general corporate activities	1,385	1,385	–
IPO expenses	1,600	1,655	(55)
<b>Total</b>	<b>7,500</b>	<b>4,601</b>	<b>2,899</b>

**Note:**

<sup>(1)</sup> The amount deployed for general working capital includes the purchase of inventories and operating expenses.

## Corporate Governance Report

### CORPORATE SOCIAL RESPONSIBILITY

We recognize that for long-term sustainability, we need to look beyond the financial parameters and strike a balance between business profitability and corporate social responsibility. We have taken various steps to play our part in contributing to the welfare of the society and communities in the environment we operate in. Hence, we support important causes such as environmental preservation, donation to the needy, and community services.

Some of our initiatives include:

#### **Giving back to the community**

We regularly support various services and activities within our community. We have made donations and provided sponsorships to, amongst others, schools, orphanages and old folks homes. Further, we are also involved in annual community services projects at various charitable organizations.

#### **Environmental preservation**

We are committed to the responsible use and protection of the natural environment through conservation and sustainable practices. We strive to reduce the environmental impact of our manufacturing operations by substituting raw materials with environmentally friendly alternatives. Besides adopting environmentally friendly internal guidelines on electricity, water, power and paper conservation, we also issue periodic internal newsletters that feature articles on environmental preservation.

We have established committee dedicated to environment and sustainability governance such as ISO14000, Greenguard, FSC Chain-of-Custody and PEFC.

#### **Occupational Safety and Health**

Versalink's approach to managing safety and health at work place is driven by a core belief in being a responsible business. Our senior management and managers are responsible for continuing to reduce risk and improving our performance in these areas. A committee has also been set up to monitor the compliance of the safety and health standards with regular structured interactions with the management team. Maintaining a strong focus on safety, health and hazards that could result in serious injuries or fatalities continues to be key for us.



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# Statement by Directors and Financial Statements



# Statement by Directors

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 29 February 2016.

## 1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of the statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

## 2. DIRECTORS IN OFFICE AT DATE OF STATEMENT

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

Dr Tay Chuan Hui

Law Kian Siong

Law Pei Ling

Law Kian Guan

Chin Chee Choon

Chow Wen Kwan

## 3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the reporting year were not interested in shares in or debentures of the company or other related body corporate as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Chapter 50 ("the Act") except as follows:

Name of directors and company in which interests are held	At beginning of the reporting year	At end of the reporting year
		Direct interest
The company – Versalink Holdings Limited		Number of shares of no par value
Dr Tay Chuan Hui	100,000	100,000
Law Kian Siong	15,464,000	15,464,000
Law Pei Ling	15,464,000	15,464,000
Law Kian Guan	15,464,000	15,464,000

**3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)**

Name of director and company in which interests are held	Shareholding in which directors are deemed to have an interest	
	At beginning of the reporting year	At end of the reporting year
The company – Versalink Holdings Limited	Number of shares of no par value	
Law Kian Siong	25,129,000	–
Law Pei Ling	270,000	278,000

The directors' interests as at 21 March 2016 were the same as those at the end of the reporting year.

**4. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES**

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable 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.

**5. EMPLOYEE SHARE OPTION SCHEME AND PERFORMANCE SHARE PLAN*****Employee Share Option Scheme ("ESOS")***

The ESOS was approved pursuant to a resolution passed by the shareholders on 18 August 2014.

The ESOS is administered by the remuneration committee whose members are:

- Dr Tay Chuan Hui – Chairman of the remuneration committee, non-executive chairman and independent director
- Chin Chee Choon – Independent director
- Chow Wen Kwan – Independent director

Subject to the absolute discretion of the remuneration committee, options may be granted to the following groups of participants under the ESOS:

- Group employees; and
- Group directors (including group executive directors, group non-executive directors and independent directors)

## Statement by Directors

### 5. EMPLOYEE SHARE OPTION SCHEME AND PERFORMANCE SHARE PLAN (CONT'D)

#### *Employee Share Option Scheme ("ESOS") (cont'd)*

Controlling shareholders and their associates of a controlling shareholder who meet the eligibility criteria are eligible to participate in the ESOS provided that (a) the participation of; and (b) the terms of any options to be granted and the actual number of shares granted under the ESOS to a participant who is a controlling shareholder or an associate of a controlling shareholder shall be approved by the independent shareholders in separate resolutions for each such person.

Offers for the grant of options may be made at any time at the discretion of the remuneration committee, in accordance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Catalist Listing Manual. Options which are fixed at the market price may be exercised after the first anniversary of the date of grant of that option while options exercisable at a discount to the market price may only be exercised after the second anniversary from the date of grant of the option. The ESOS shall continue in operation for a maximum of 10 years commencing on the date on which the ESOS is adopted by the company in general meeting.

#### *Performance Share Plan ("PSP")*

The group operates a Performance Share Plan which was approved pursuant to a resolution passed by the shareholders on 18 August 2014.

The exercise price for each option shall be determined by the remuneration committee at its absolute discretion, and fixed by the remuneration committee at:

- a price ("Market Price") equal to the average of the last dealt price for the shares on Catalist for five consecutive market days immediately preceding the relevant date of grant of the relevant Option; or
- a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the remuneration committee in its absolute discretion, provided that the maximum discount which may be given in respect of any option shall not exceed 20% of the Market Price.

The PSP is administered by the remuneration committee. The participants of the PSP are similar to those of the ESOS.

The PSP shall continue in force at the discretion of the remuneration committee, subject to a maximum period of 10 years commencing on the date on which the PSP is adopted by the company in general meeting, provided always that the PSP may continue beyond the above stipulated period with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The total number of shares over which the remuneration committee may grant the options under the PSP and the total number of shares which may be delivered pursuant to the vesting of awards under the PSP on any date, when added to the aggregate number of shares issued and/or issuable in respect of (i) all options granted under the ESOS; (ii) all awards granted under the PSP; and (iii) all outstanding options, shares or awards issued and/or issuable or granted under such other share-based incentive schemes or share plans of the company, shall not exceed 15% of the total number of issued shares (including treasury shares, as defined in the Act) of the company on the day immediately preceding the offer date of the option or from time to time.

## 5. EMPLOYEE SHARE OPTION SCHEME AND PERFORMANCE SHARE PLAN (CONT'D)

### *Performance Share Plan ("PSP") (cont'd)*

During the reporting year, no option to take up unissued shares of the company or any corporation in the group was granted and there were no shares of the company or any corporation in the group issued by virtue of the exercise of an options to take up unissued shares.

At the end of the reporting year, there were no unissued shares of the company or any corporation in the group under option.

During the reporting year, no shares were issued pursuant to the ESOS and PSP.

## 6. AUDIT COMMITTEE

The members of the audit committee at the date of this report are as follows:

- |                  |   |  |
|------------------|---|--|
| Chin Chee Choon  | – | Chairman of the audit committee and independent director |
| Dr Tay Chuan Hui | – | Non-executive chairman and independent director          |
| Chow Wen Kwan    | – | Independent director                                     |

The audit committee performs the functions specified by section 201B (5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan;
- Reviewed with the independent external auditor their evaluation of the company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by the management to them;
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor;
- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the company. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditor provide non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next annual general meeting of the company.



## Statement by Directors

### 7. DIRECTORS' OPINION ON THE ADEQUACY OF INTERNAL CONTROLS

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 29 February 2016.

### 8. INDEPENDENT AUDITOR

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

### 9. SUBSEQUENT DEVELOPMENTS

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements' as announced on 28 April 2016, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On behalf of the board of directors

**Law Kian Siong**

Director

**Law Pei Ling**

Director

27 May 2016

# Independent Auditor's Report

to the Members of **VERSALINK HOLDINGS LIMITED** (Registration No: 201411394N)

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Versalink Holdings Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 29 February 2016, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and significant accounting policies and other explanatory information.

## **MANAGEMENT'S RESPONSIBILITY 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a 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.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Independent Auditor's Report

to the **Members of VERSALINK HOLDINGS LIMITED** (Registration No: 201411394N)

### **OPINION**

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the group and of the company as at 29 February 2016 and of the financial performance, changes in equity and cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

### **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 those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim LLP  
Public Accountants and  
Chartered Accountants  
Singapore

27 May 2016

Partner in charge of audit: Pang Hui Ting  
Effective from reporting year ended 29 February 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year Ended 29 February 2016

	Note	Group 2016 RM'000	2015 RM'000
<b>Revenue</b>	4	<b>59,483</b>	59,784
Cost of sales		<b>(38,791)</b>	(38,090)
<b>Gross profit</b>		<b>20,692</b>	21,694
Interest income		<b>341</b>	212
Other gains	5	<b>5,031</b>	829
Marketing and distribution expenses	6	<b>(5,961)</b>	(7,328)
Administrative expenses	6	<b>(9,878)</b>	(12,089)
Other losses	5	<b>(662)</b>	(270)
Finance costs		<b>(359)</b>	(381)
<b>Profit before tax from continuing operations</b>		<b>9,204</b>	2,667
Income tax expense	8	<b>(1,882)</b>	(2,066)
<b>Profit from continuing operations, net of tax</b>		<b>7,322</b>	601
<b>Other comprehensive income/(loss):</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations, net of tax		<b>5</b>	(1)
<b>Total comprehensive income for the year</b>		<b>7,327</b>	600
<b>Earnings per share (Sen Ringgit Malaysia)</b>			
Basic and diluted	9	<b>5.42</b>	0.50

The accompanying notes form an integral part of these financial statements.



# Statements of Financial Position

As At 29 February 2016

			Group (restated)	(restated)	Company	
	Notes	2016 RM'000	2015 RM'000	2014 RM'000	2016 RM'000	2015 RM'000
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	11	<b>28,613</b>	26,208	25,363	–	–
Investment in subsidiaries	12	–	–	–	<b>44,568</b>	44,915
<b>Total non-current assets</b>		<b>28,613</b>	26,208	25,363	<b>44,568</b>	44,915
<b>Current assets</b>						
Inventories	13	<b>11,206</b>	11,532	11,076	–	–
Trade and other receivables	14	<b>6,196</b>	7,004	10,315	<b>22,731</b>	15,835
Other assets	15	<b>3,039</b>	4,424	2,828	<b>41</b>	14
Other financial assets	16	<b>11,463</b>	8,680	1,529	–	–
Cash and cash equivalents	17	<b>21,023</b>	18,252	11,605	<b>2,316</b>	4,901
<b>Total current assets</b>		<b>52,927</b>	49,892	37,353	<b>25,088</b>	20,750
<b>Total assets</b>		<b>81,540</b>	76,100	62,716	<b>69,656</b>	65,665
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
Share capital	18	<b>62,513</b>	62,513	3,479	<b>62,513</b>	62,513
Retained earnings		<b>5,905</b>	543	40,878	<b>6,782</b>	2,867
Foreign currency translation reserves		<b>4</b>	(1)	–	–	–
<b>Total equity</b>		<b>68,422</b>	63,055	44,357	<b>69,295</b>	65,380
<b>Non-current liabilities</b>						
Deferred tax liabilities	8	<b>1,053</b>	1,144	911	–	–
Other financial liabilities, non-current	20	<b>381</b>	832	1,490	–	–
<b>Total non-current liabilities</b>		<b>1,434</b>	1,976	2,401	–	–
<b>Current liabilities</b>						
Income tax payable		<b>70</b>	–	1,912	<b>70</b>	–
Trade and other payables	19	<b>9,722</b>	8,994	11,230	<b>291</b>	285
Other financial liabilities, current	20	<b>1,892</b>	2,075	2,816	–	–
<b>Total current liabilities</b>		<b>11,684</b>	11,069	15,958	<b>361</b>	285
<b>Total liabilities</b>		<b>13,118</b>	13,045	18,359	<b>361</b>	285
<b>Total equity and liabilities</b>		<b>81,540</b>	76,100	62,716	<b>69,656</b>	65,665

The accompanying notes form an integral part of these financial statements.

# Statements of Changes in Equity

Year Ended 29 February 2016

Group	Total Equity RM'000	Share Capital RM'000	Foreign Currency Translation Reserves RM'000	Retained Earnings RM'000
<b>Current year:</b>				
Opening balance at 1 March 2015	63,055	62,513	(1)	543
<b>Movements in equity:</b>				
Total comprehensive income for the year	7,327	–	5	7,322
Dividends (Note 10)	(1,960)	–	–	(1,960)
<b>Closing balance at 29 February 2016</b>	<b>68,422</b>	<b>62,513</b>	<b>4</b>	<b>5,905</b>
<b>Previous year:</b>				
Opening balance at 1 March 2014	44,357	3,479	–	40,878
<b>Movements in equity:</b>				
Total comprehensive income for the year	600	–	(1)	601
Issue of new shares pursuant to listing (Note 18(c))	19,325	19,325	–	–
Share issuance expense (Note 18(d))	(1,227)	(1,227)	–	–
Merger adjustment pursuant to restructuring exercise	–	40,936	–	(40,936)
<b>Closing balance at 28 February 2015</b>	<b>63,055</b>	<b>62,513</b>	<b>(1)</b>	<b>543</b>
<b>Company</b>	<b>Total Equity RM'000</b>	<b>Share Capital RM'000</b>	<b>Retained Earnings RM'000</b>	
<b>Current year:</b>				
Opening balance at 1 March 2015	65,380	62,513	2,867	
<b>Movements in equity:</b>				
Total comprehensive income for the year	5,875	–	5,875	
Dividends (Note 10)	(1,960)	–	(1,960)	
<b>Closing balance at 29 February 2016</b>	<b>69,295</b>	<b>62,513</b>	<b>6,782</b>	
<b>Previous year:</b>				
At date of incorporation on 21 April 2014	– (a)	– (a)	–	
<b>Movements in equity:</b>				
Total comprehensive income for the year	2,867	–	2,867	
Issue of new shares pursuant to restructuring exercise (Note 18(b))	44,415	44,415	–	
Issue of new shares pursuant to listing (Note 18(c))	19,325	19,325	–	
Share issuance expense (Note 18(d))	(1,227)	(1,227)	–	
<b>Closing balance at 28 February 2015</b>	<b>65,380</b>	<b>62,513</b>	<b>2,867</b>	

(a) Share capital is less than RM1,000.

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

Year Ended 29 February 2016

	2016 RM'000	Group (restated) 2015 RM'000
<b><u>Cash flows from operating activities</u></b>		
Profit before tax	9,204	2,667
Adjustments for:		
Depreciation of property, plant and equipment	2,337	2,095
Gains on disposal of plant and equipment	-	(60)
Interest income	(341)	(212)
Interest expenses	359	381
Goodwill written off	-	199
Plant and equipment written off	82	54
Compensation fee for land acquisition	(3,671)	-
Operating cash flows before changes in working capital	7,970	5,124
Inventories	326	(429)
Trade and other receivables	808	3,466
Other assets	1,398	(393)
Trade and other payables	728	666
Net cash flows from operations	11,230	8,434
Income taxes paid	(1,916)	(4,947)
Net cash flows from operating activities	9,314	3,487
<b><u>Cash flows from investing activities</u></b>		
Purchase of property, plant and equipment (Note 17B)	(4,824)	(2,629)
Disposals of plant and equipment	-	69
Acquisition of a subsidiary, net of cash acquired (Note 21)	-	(398)
Increase in other financial assets	(2,783)	(7,151)
Compensation fee received	3,671	-
Interest received	341	212
Net cash flows used in investing activities	(3,595)	(9,897)
<b><u>Cash flows from financing activities</u></b>		
Amount due to directors	-	(47)
Decrease in other financial liabilities	(328)	(2,396)
Finance lease repayments	(110)	(165)
Issue of new shares pursuant to listing (Note 18 (c))	-	19,325
Share issuance expense (Note 18 (d))	-	(1,227)
Dividends paid	(1,960)	(3,000)
Cash restricted in use	(24)	611
Interest paid	(359)	(381)
Net cash flows (used in)/from financing activities	(2,781)	12,720
Effect of foreign exchange rate adjustments	5	(1)
<b>Net increase in cash and cash equivalents</b>	<b>2,943</b>	<b>6,309</b>
Cash and cash equivalents, statement of cash flows, beginning balance	16,274	9,965
<b>Cash and cash equivalents, statement of cash flows, ending balance (Note 17A)</b>	<b>19,217</b>	<b>16,274</b>

The accompanying notes form an integral part of these financial statements.

# Notes to the Financial Statements

29 February 2016

## 1. GENERAL

The company is incorporated in Singapore with limited liability. The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000).

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

On 24 September 2014, the company was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activities of the company are those of an investment holding company and the provision of management services.

The principal activities of the subsidiaries are described in Note 12 to the financial statements.

The registered office is 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095. The company is situated in Singapore. The principal place of business is Lot 6119, Jalan Haji Salleh, Batu 5½ Off Jalan Meru 41050 Klang Selangor, Malaysia.

### The restructuring exercise

Prior to the invitation of the company in respect of new shares, a restructuring exercise was carried out to rationalise and streamline the corporate structure, resulting in the company becoming the parent company of the group.

The details of the restructuring exercise are as follows:

#### (a) Incorporation of the company

The company was incorporated on 21 April 2014 in Singapore in accordance with the Companies Act as a private limited company with an issued and paid-up share capital of S\$1 comprising one share, which was held by Law Kian Guan.

#### (b) Acquisition of Jemaramas Jaya Sdn. Bhd. ("Jemaramas Jaya")

On 22 July 2014, the company entered into a sale and purchase agreement with Law Kian Siong, Law Pei Ling, Law Kian Guan and Lee Yuet Chin pursuant to which the company acquired, the entire issued and paid-up capital of Jemaramas Jaya at an aggregate consideration of RM32,100,867 (the "Jemaramas Jaya Purchase Consideration"), which was determined based on the audited net assets of Jemaramas Jaya as at 28 February 2014. The Jemaramas Jaya Purchase Consideration was satisfied by the allotment and issue of an aggregate 79,502,889 Shares, credited as fully paid in the following manner:

<u>Name of allottee</u>	<u>Number of Shares issued to such allottee</u>
Law Kian Siong	15,512,759
Law Pei Ling	15,512,759
Law Kian Guan	16,672,901
Lee Yuet Chin	31,804,470
<b>Total</b>	<b>79,502,889</b>

Upon completion of the aforesaid acquisition, Jemaramas Jaya Sdn. Bhd. became a wholly-owned subsidiary of the company.

## Notes to the Financial Statements

29 February 2016

### 1. GENERAL (CONT'D)

#### The restructuring exercise (cont'd)

##### (c) Acquisition of Versalink Marketing Sdn. Bhd. ("Versalink Marketing")

On 22 July 2014, the company entered into a sale and purchase agreement with Law Pei Ling and Lee Yuet Chin pursuant to which the company acquired from Law Pei Ling and Lee Yuet Chin, the entire issued and paid-up capital of Versalink Marketing at an aggregate consideration of RM12,036,556 (the "Versalink Marketing Purchase Consideration"), which was determined based on the audited net assets of Versalink Marketing as at 28 February 2014. The Versalink Marketing Purchase Consideration was satisfied by the allotment and issue of an aggregate 29,810,440 Shares, credited as fully paid in the following manner:

<u>Name of allottee</u>	<u>Number of Shares issued to such allottee</u>
Law Pei Ling	12,775,903
Lee Yuet Chin	17,034,537
<b>Total</b>	<b>29,810,440</b>

Upon completion of the aforesaid acquisition, Versalink Marketing Sdn. Bhd. became a wholly-owned subsidiary of the company.

##### (d) Acquisition of Versalink Technology Sdn. Bhd. ("Versalink Technology")

On 22 July 2014, the company entered into a sale and purchase agreement with Law Kian Siong and Lee Yuet Chin pursuant to which the company acquired from Law Kian Siong and Lee Yuet Chin, the entire issued and paid-up capital of Versalink Technology at an aggregate consideration of RM277,257 (the "Versalink Technology Purchase Consideration"), which was determined based on the audited net assets of Versalink Technology as at 28 February 2014. The Versalink Technology Purchase Consideration was satisfied by the allotment and issue of an aggregate 686,670 Shares, credited as fully paid in the following manner:

<u>Name of allottee</u>	<u>Number of Shares issued to such allottee</u>
Law Kian Siong	343,335
Lee Yuet Chin	343,335
<b>Total</b>	<b>686,670</b>

Upon completion of the aforesaid acquisition, Versalink Technology Sdn. Bhd. became a wholly-owned subsidiary of the company.

#### Accounting convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs need not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.



## 1. GENERAL (CONT'D)

### Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

### Basis of presentation

The restructuring exercise in reporting year 2015 involved companies under common control. The consolidated financial statements have been prepared using the "pooling-of-interests" method. Such manner of presentation reflects the economic substance of the combining entities as a single economic enterprise, although the legal parent-subsidiary relationship was only established just prior to the public listing of the company. Accordingly, the group's consolidated financial statements have been prepared as if the group had been in existence prior to the restructuring exercise. The assets and liabilities were brought into the consolidated statement of financial position at the existing carrying amounts. The figures of the group represent the combined results, state of affairs, changes in equity and cash flows as if the group had existed since 1 March 2014.

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of profit or loss and other comprehensive income is not presented.

## Notes to the Financial Statements

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

#### 2A. Significant accounting policies

##### Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the financial year arising from the course of the activities of the entity and it is shown net of any related sales taxes, estimated returns and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are not significant transactions is recognised as the services are provided or when the significant acts have been completed. Interest revenue is recognised using the effective interest method.

##### Employee benefits

Contributions to a defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund which is the Employees Provident Fund in Malaysia (a government managed retirement benefit plan) and the Central Provident Fund in Singapore (a government managed retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

##### Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss.

For such items recognised outside profit or loss, the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income; and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at end of each reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised.

## **2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)**

### **2A. Significant accounting policies (cont'd)**

#### **Income tax (cont'd)**

A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

#### **Foreign currency transactions**

The functional currency is the Malaysian Ringgit as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At the end of each reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the financial year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

#### **Translation of financial statements of other entities**

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the financial year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

#### **Borrowing costs**

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

## Notes to the Financial Statements

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

##### Business combinations

Business combinations not under common control are accounted for by applying the acquisition method.

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with FRS 32 and FRS 39. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under FRS 103. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss. For business combinations achieved in stages, any equity interest held in the acquiree is remeasured immediately before achieving control at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

Where the fair values are measured on a provisional basis they are finalised within one year from the acquisition date with consequent retrospective changes to the amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

There was no gain on bargain purchase during the reporting year.

Goodwill and fair value adjustments resulting from the application of purchase accounting at the date of acquisition are treated as assets and liabilities of the foreign entity and are recorded at the exchange rates prevailing at the acquisition date and are subsequently translated at the period end exchange rate.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### Property, plant and equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Furniture and fittings	–	10% – 20%
Plant and machinery	–	10% – 20%
Renovation	–	10%
Motor vehicles	–	20%
Buildings	–	2%
Freehold land	–	Not depreciated

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

#### Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each financial year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the financial year in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases.



## Notes to the Financial Statements

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### Leases (cont'd)

For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

##### Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at the end of each financial year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At the end of each financial year, non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### Inventories

Inventories are measured at the lower of cost (first in first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. When the settlement date accounting is applied, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognised in net profit or loss for assets classified as trading.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: As at end of the reporting year date, there were no financial assets classified in this category.
2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

## Notes to the Financial Statements

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### Financial assets (cont'd)

Subsequent measurement: (cont'd)

3. Held-to-maturity financial assets: As at end of the reporting year date, there were no financial assets classified in this category.
4. Available-for-sale financial assets: These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value. Changes in fair value of available-for-sale financial assets (other than those relating to foreign exchange translation differences on monetary investments) are recognised in other comprehensive income and accumulated in a separate component of equity under the heading revaluation reserves. Such reserves are reclassified to profit or loss when realised through disposal. When there is objective evidence that the asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. A significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. If, in a subsequent period, the fair value of an equity instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against revaluation reserves and is not subsequently reversed through profit or loss. However for debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. For non-equity instruments classified as available-for-sale the reversal of impairment is recognised in profit or loss. The weighted average method is used when determining the cost basis of publicly listed equities being disposed of. Usually non-current investments in equity shares and debt securities are classified in this category but it does not include subsidiaries, joint ventures, or associates. Unquoted investments are stated at cost less allowance for impairment in value where there are no market prices, and management is unable to establish fair value by using valuation techniques except that where management can establish fair value by using valuation techniques the relevant unquoted investments are stated at fair value. For unquoted equity instruments impairment losses are not reversed.

##### Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows, the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount determined in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.
2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

#### Fair value measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

## Notes to the Financial Statements

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### Fair value measurement (cont'd)

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the financial year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the financial year and in the event the fair values are disclosed in the relevant notes to the financial statements.

##### Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur. Warranty provisions are measured using probability models based on past experience.

##### Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.



## **2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)**

### **2B. Critical judgements, assumptions and estimation uncertainties**

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Net realisable value of inventories:

A review is made periodically on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in the Note 13 on inventories.

Useful lives of property, plant and equipment:

The estimates for the useful lives and related depreciation charges for property, plant and equipment is based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset (or class of assets) of the group at the end of the reporting year affected by the assumption is RM22,363,000 (2015: RM19,958,000).

Allowance for doubtful trade accounts:

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note 14 on trade and other receivables.

## Notes to the Financial Statements

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2B. Critical judgements, assumptions and estimation uncertainties (cont'd)

Determination of functional currency:

In determining the functional currencies of the entities in the group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. The functional currencies of the entities in the group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

Income tax amounts:

The group recognises tax liabilities and assets tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition, management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature, assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in the Note 8 on income tax.

### 3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

FRS 24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

#### 3A. Related party transactions:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any balances and financial guarantees, no interest or charge is imposed unless stated otherwise.

### 3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

#### 3A. Related party transactions: (cont'd)

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

Significant related party transactions:

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	<b>Group Related parties</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Rental expense	<b>230</b>	173
Purchase of plant and equipment	<b>–</b>	218

The related parties and the group have a common director who has significant influence and common shareholders.

#### 3B. Key management compensation:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Salaries and other short-term employee benefits	<b>2,641</b>	2,196

The above amounts are included under employee benefits expense. Included in the above amounts are following items:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Remuneration of directors of the company	<b>1,380</b>	1,006
Fees to directors of the company	<b>320</b>	208

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel include the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly. The above amounts for key management compensation are for all the directors.

## Notes to the Financial Statements

29 February 2016

### 4. REVENUE

	Group	
	2016	2015
	RM'000	RM'000
Sale of goods	59,483	59,784

### 5. OTHER GAINS AND (OTHER LOSSES)

	Group	
	2016	2015
	RM'000	RM'000
Allowance for impairment on trade receivables	(580)	(17)
Compensation fee for land acquisition	3,671	–
Foreign exchange adjustment gains	1,003	654
Gains on disposal of plant and equipment	–	60
Goodwill written off	–	(199)
Litigation compensation received	75	–
Plant and equipment written off	(82)	(54)
Insurance claims	–	22
Sale of scrap materials	224	81
Sundry income	58	12
Total other gains and (other losses)	4,369	559
Presented in profit or loss as:		
Other gains	5,031	829
Other losses	(662)	(270)
Net	4,369	559

## 6. MARKETING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

The major components include the following:

	Group	
	2016	2015
	RM'000	RM'000
<u>Marketing and distribution expenses</u>		
Advertisement and promotions	779	895
Sales commissions	534	1,317
Depreciation expense	390	304
Employee benefits expense	1,987	1,694
Showroom's rental expense	787	537
Logistics expense	339	536
Installation charges	–	1,169
<u>Administrative expenses</u>		
Depreciation expense	979	583
Employee benefits expense (Note 7)	5,684	4,994
Initial public offering expenses ("IPO")	–	3,183
Audit fees to:		
- Independent auditor of the company	203	177
- Other independent auditor	72	71
Non-audit fees to:		
- Independent auditor of the company	15	539
- Other independent auditor	75	45

## 7. EMPLOYEE BENEFITS EXPENSE

	Group	
	2016	2015
	RM'000	RM'000
Short term employee benefits expense	13,752	12,685
Contributions to defined contribution plans	942	822
Other benefits	499	340
Total employee benefits expense	15,193	13,847
The employee benefits expense is charged as follows:		
Cost of sales	7,522	7,159
Marketing and distribution expenses (Note 6)	1,987	1,694
Administrative expenses (Note 6)	5,684	4,994
Total employee benefits expense	15,193	13,847



## Notes to the Financial Statements

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### 8. INCOME TAX

#### 8A. Components of income tax income recognised in profit or loss include:

	Group	
	2016 RM'000	2015 RM'000
<u>Current tax expense:</u>		
Current tax expense	1,998	1,645
(Over) under adjustments in respect of prior periods	(25)	188
Subtotal	1,973	1,833
<u>Deferred tax (income) expense:</u>		
Deferred tax (income) expense	(260)	264
Under (over) adjustments in respect of prior periods	169	(31)
Subtotal	(91)	233
Total income tax expense	1,882	2,066

Substantially the group's operations are located in Malaysia for the financial years under review. Accordingly the Malaysian statutory tax rate of 24% (2015: 25%) is used in the reconciliation below:

	Group	
	2016 RM'000	2015 RM'000
Profit before tax	9,204	2,667
Income tax expense at the above rate	2,209	667
Expenses not deductible for tax purposes	258	1,292
Income not subject to tax	(720)	–
Tax exemptions and rebate	(35)	–
Effect of different tax rate in different country and change in tax rate	(71)	(50)
Deferred tax assets not recognised	55	–
Under adjustment to tax in respect of prior periods	144	157
Others	42	–
Total income tax expense	1,882	2,066

There are no income tax consequences of dividends to owners of the company.

The major not deductible (not liable to tax) items include the following:

	Group	
	2016 RM'000	2015 RM'000
Initial public offering expenses	–	3,183
Compensation fee for land acquisition	(3,671)	–

**8. INCOME TAX (CONT'D)****8B. Deferred tax (income) expense recognised in profit or loss include:**

	Group	
	2016	2015
	RM'000	RM'000
Excess of tax over book depreciation on property, plant and equipment	<b>425</b>	(42)
Unrealised (gains) losses on foreign exchange	<b>(347)</b>	158
Provisions	<b>(158)</b>	106
Tax losses carryforwards	<b>(46)</b>	46
Unutilised capital allowances	<b>(20)</b>	20
Deferred tax assets not recognised	<b>55</b>	(55)
Total deferred tax (income) expense recognised in profit or loss	<b>(91)</b>	233

**8C. Deferred tax balance in the statements of financial position:**

	Group	
	2016	2015
	RM'000	RM'000
<u>Deferred tax liabilities recognised in profit or loss:</u>		
Excess of tax over book depreciation on property, plant and equipment	<b>1,537</b>	1,112
Unrealised (gains) losses on foreign exchange	<b>(281)</b>	66
Provisions	<b>(203)</b>	(45)
Tax losses carryforwards	–	46
Unutilised capital allowances	–	20
Deferred tax assets not recognised	–	(55)
Net	<b>1,053</b>	1,144

A subsidiary of the group has unutilised tax losses and unabsorbed capital allowances of approximately RM191,000 (2015: RM184,000) and RM80,000 (2015: RM80,000) respectively, available to offset against future profits. No deferred tax assets have been recognised on these tax losses as the future profit streams of this subsidiary is not probable. The realisation of the future income tax benefits from tax carryforwards and temporary differences from capital allowances is available for an unlimited future period and subject to the conditions imposed by applicable laws and agreement by relevant tax authorities in the country where the subsidiary is incorporated.

## Notes to the Financial Statements

29 February 2016

### 9. EARNINGS PER SHARE

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	Group	
	2016 RM'000	2015 RM'000
Numerators: earnings attributable to equity:		
Continuing operations: attributable to equity holders	7,322	601
	<hr/>	
	No: '000	No: '000
Denominators: weighted average number of equity shares		
Basic	135,000	120,822

The weighted average number of equity shares refers to shares in circulation during the reporting period. The basic earnings per share ratio is based on the weighted average number of ordinary shares outstanding during the reporting period. There is no dilution of earnings per share as there are no dilutive potential ordinary shares outstanding as at the end of the reporting year.

### 10. DIVIDENDS ON EQUITY SHARES

	Group	
	2016 RM'000	2015 RM'000
Final one-tier tax exempt dividend paid of S\$0.005 (2015 : nil)	1,960	–

In respect of the current reporting year, the directors propose that a final tax exempt (one-tier) dividend of 0.56 Singapore cent per share with a total of S\$756,000 (approximately RM2,192,000) be paid to shareholders after the annual general meeting to be held on 27 June 2016. There are no income tax consequences. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including any new qualifying shares issued up to the date the dividend becomes payable. There are no income tax consequences of the dividends to shareholders.

**11. PROPERTY, PLANT AND EQUIPMENT**

Group	Freehold land RM'000	Buildings RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Renovation RM'000	Total RM'000
<u>Cost:</u>							
At 1 March 2014	6,250	14,642	4,011	2,914	13,684	149	41,650
Additions	–	172	887	356	168	1,196	2,779
Disposals	–	(254)	–	(240)	–	–	(494)
Acquisition of a subsidiary (Note 21)	–	–	30	–	254	24	308
Write-offs	–	–	(460)	–	–	(149)	(609)
At 28 February 2015	6,250	14,560	4,468	3,030	14,106	1,220	43,634
Additions	–	94	1,720	277	2,202	531	4,824
Write-offs	–	–	(271)	–	(1,901)	(24)	(2,196)
<b>At 29 February 2016</b>	<b>6,250</b>	<b>14,654</b>	<b>5,917</b>	<b>3,307</b>	<b>14,407</b>	<b>1,727</b>	<b>46,262</b>
<u>Accumulated depreciation:</u>							
At 1 March 2014	–	2,103	2,644	1,458	9,970	112	16,287
Depreciation for the year	–	306	385	335	1,022	47	2,095
Disposals	–	(245)	–	(240)	–	–	(485)
Acquisition of a subsidiary (Note 21)	–	–	11	–	65	8	84
Write-offs	–	–	(433)	–	–	(122)	(555)
At 28 February 2015	–	2,164	2,607	1,553	11,057	45	17,426
Depreciation for the year	–	292	654	425	809	157	2,337
Write-offs	–	–	(242)	–	(1,863)	(9)	(2,114)
<b>At 29 February 2016</b>	<b>–</b>	<b>2,456</b>	<b>3,019</b>	<b>1,978</b>	<b>10,003</b>	<b>193</b>	<b>17,649</b>
<u>Carrying value:</u>							
At 1 March 2014	6,250	12,539	1,367	1,456	3,714	37	25,363
At 28 February 2015	6,250	12,396	1,861	1,477	3,049	1,175	26,208
<b>At 29 February 2016</b>	<b>6,250</b>	<b>12,198</b>	<b>2,898</b>	<b>1,329</b>	<b>4,404</b>	<b>1,534</b>	<b>28,613</b>

## Notes to the Financial Statements

29 February 2016

### 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Allocation of the depreciation expense:

	Group	
	2016	2015
	RM'000	RM'000
Cost of sales	968	1,208
Marketing and distribution expenses	390	304
Administrative expenses	979	583
<b>Total</b>	<b>2,337</b>	<b>2,095</b>

- (a) Certain items are under finance lease agreements (see Note 20B).
- (b) The net book values of property, plant and equipment which have been pledged as securities for banking facilities (see Note 20A) are as follows:

	Group	
	2016	2015
	RM'000	RM'000
Freehold land	6,250	6,250
Buildings	12,198	12,396
<b>Total</b>	<b>18,448</b>	<b>18,646</b>

- (c) Fully depreciated plant and equipment still in use had an initial cost of:

	Group	
	2016	2015
	RM'000	RM'000
Furniture and fittings	1,872	1,421
Plant and machinery	6,350	7,872
Motor vehicles	534	219
<b>Total</b>	<b>8,756</b>	<b>9,512</b>

- (d) Details of freehold land:

Description/Location	Gross floor area
Lot 6119 Jalan Haji Salleh, Batu 5½, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan, Malaysia	135,700 square feet
Lot 6118 Jalan Haji Salleh, Batu 5½, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan, Malaysia	57,400 square feet

**12. INVESTMENT IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Movement during the year. At cost:		
Balance at beginning of the year	<b>44,915</b>	–
Addition	<b>–</b>	44,915
Allowance for impairment	<b>(347)</b>	–
Cost at end of the year	<b>44,568</b>	44,915
Carrying value in the books of the company comprising:		
Unquoted equity shares at cost	<b>44,915</b>	44,915
Less: allowance for impairment	<b>(347)</b>	–
	<b>44,568</b>	44,915
Movements in allowance for impairment:		
Balance at beginning of the year	<b>–</b>	–
Impairment loss charged to profit or loss included in other losses	<b>(347)</b>	–
Balance at end of the year	<b>(347)</b>	–

The continuous losses of one of the subsidiaries, Steeltema (M) Sdn. Bhd. was considered sufficient evidence to trigger the impairment test. The impairment test has resulted in the recognition of a loss. Accordingly, the cost of investment in subsidiary concerned has been written down to its recoverable amount during the reporting year.

All subsidiaries are wholly owned. The subsidiaries held by the company are listed below:

<b>Name of subsidiaries, country of incorporation, place of operations and principal activities</b>	<b>Cost in books of the company</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Jemaramas Jaya Sdn. Bhd. <sup>(a)</sup> Malaysia Manufacture, marketing and sale of system furniture and other furniture related products	<b>32,101</b>	32,101
Versalink Marketing Sdn. Bhd. <sup>(a)</sup> Malaysia Marketing and sale of system furniture and other furniture related products	<b>12,037</b>	12,037
Steeltema (M) Sdn. Bhd. <sup>(a)</sup> Malaysia Dormant	<b>500</b>	500
Versalink Technology Sdn. Bhd. <sup>(a)</sup> Malaysia Dormant	<b>277</b>	277



## Notes to the Financial Statements

29 February 2016

### 12. INVESTMENT IN SUBSIDIARIES (CONT'D)

**Name of subsidiaries, country of incorporation, place of operations and principal activities**

**Cost in books  
of the company**  
**2016**  
**RM'000**

**2015**  
**RM'000**

Versalink (S) Pte. Ltd. <sup>(b) (c)</sup>  
Singapore  
Dormant

–

–

Versalink System Furniture (S) Pte. Ltd. <sup>(b) (c)</sup>  
Singapore  
Marketing and sale of system furniture and other furniture related products

–

–

Total investment in subsidiaries

**44,915**

44,915

Notes:

<sup>(a)</sup> Other independent auditor. Audited by Crowe Horwath, Malaysia, a firm of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

<sup>(b)</sup> Audited by RSM Chio Lim LLP, a member of RSM International.

<sup>(c)</sup> The cost of investment is less than RM1,000.

As is required by Rule 716 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the audit committee and the board of directors of the company have satisfied themselves that the appointment of different auditor for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the group.

### 13. INVENTORIES

**Group**

**2016**  
**RM'000**

**2015**  
**RM'000**

Raw materials

**8,229**

8,082

Work-in-progress

**68**

196

Finished goods

**2,909**

3,254

Total inventories

**11,206**

11,532

Inventories are stated after allowance. Movements in allowance:

Balance at beginning of the year

**349**

606

Charged (reversed) to profit or loss included in cost of sales

**496**

(257)

Balance at end of the year

**845**

349

The write-down of inventories charged (reversed) to profit or loss included in cost of sales

**496**

(257)

Changes in inventories of finished goods and work-in-progress (decrease)

**(473)**

(642)

The amount of inventories included in cost of sales

**34,691**

35,752

There are no inventories pledged as security for liabilities.

**14. TRADE AND OTHER RECEIVABLES**

	Group (restated)			Company	
	2016 RM'000	2015 RM'000	(restated) 2014 RM'000	2016 RM'000	2015 RM'000
Trade receivables:					
Outside parties	<b>6,794</b>	7,035	10,296	–	–
Less allowance for impairment	<b>(598)</b>	(31)	(16)	–	–
Related parties (Note 3)	–	–	35	–	–
Subtotal	<b>6,196</b>	7,004	10,315	–	–
Other receivables:					
Subsidiaries (Note 3)	–	–	–	<b>22,731</b>	15,835
Total trade and other receivables	<b>6,196</b>	7,004	10,315	<b>22,731</b>	15,835
Movements in above allowance:					
Balance at beginning of the year	<b>31</b>	16	3	–	–
Charge for trade receivables to profit or loss included in other losses	<b>580</b>	17	16	–	–
Used	<b>(13)</b>	(2)	(3)	–	–
Balance at end of the year	<b>598</b>	31	16	–	–

**15. OTHER ASSETS**

	Group (restated)			Company	
	2016 RM'000	2015 RM'000	(restated) 2014 RM'000	2016 RM'000	2015 RM'000
Advance payments on purchases of inventories	<b>934</b>	1,926	1,379	–	–
Deposits to secure services	<b>424</b>	307	186	–	–
Prepayments	<b>465</b>	988	1,263	<b>41</b>	14
Tax recoverable	<b>1,216</b>	1,203	–	–	–
Total other assets	<b>3,039</b>	4,424	2,828	<b>41</b>	14

## Notes to the Financial Statements

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### 16. OTHER FINANCIAL ASSETS

		2016 RM'000	Group (restated) 2015 RM'000	(restated) 2014 RM'000
	Level			
Balance is made up of:				
Money market funds				
and other fixed income investments				
Country: Malaysia	1	11,463	8,680	1,529

The other financial assets are investments in short to medium-term fixed income fund, with a withdrawal lead time period of 1 day to a maximum of one month and is managed by investment banks in Malaysia. There are no restrictions on the withdrawal of funds and they are designated as available-for-sale financial assets measured at fair value.

At the end of the reporting year, the financial assets bore an effective interest rate that ranged between 2.95% to 3.71% (2015: 2.95% to 3.71%) per annum.

### 17. CASH AND CASH EQUIVALENTS

	2016 RM'000	Group (restated) 2015 RM'000	(restated) 2014 RM'000	Company 2016 RM'000	2015 RM'000
Not restricted in use	20,193	17,446	10,188	2,316	4,901
Restricted in use <sup>(a)</sup>	830	806	1,417	–	–
Total cash and cash equivalents	21,023	18,252	11,605	2,316	4,901
Interest earning balances	830	806	1,417	–	–

<sup>(a)</sup> This is for fixed deposits held by banker to cover the bank facilities granted to the group (Note 20A).

The rates of interest for the cash on interest earning balances is ranged between 0.388% to 0.428% (2015: 0.388% to 0.428%), and for a tenor of one to twelve months.

#### 17A. Cash and cash equivalents in the consolidated statement of cash flows:

	2016 RM'000	Group (restated) 2015 RM'000	(restated) 2014 RM'000
Amount as shown above	21,023	18,252	11,605
Cash pledged for bank facilities	(830)	(806)	(1,417)
Bank overdrafts (Note 20A)	(976)	(1,172)	(223)
Cash and cash equivalents at end of the year	19,217	16,274	9,965

#### 17B. Non-cash transactions:

In 2015, there were acquisitions of plant and equipment with a total cost of RM150,000 acquired by means of finance leases.

**18. SHARE CAPITAL**

	<b>Group and Company</b>	
	<b>Number of shares issued '000</b>	<b>Share Capital RM'000</b>
<u>Ordinary shares of no par value:</u>		
Balance at date of incorporation on 21 April 2014 <sup>(a)</sup>	–	–
Issue of new shares pursuant to Restructuring Exercise <sup>(b)</sup>	110,000	44,415
Issue of new shares pursuant to Listing <sup>(c)</sup>	25,000	18,098
Balance at end of the year 28 February 2015 and end of the year 29 February 2016	<b>135,000</b>	<b>62,513</b>

**Notes:**

<sup>(a)</sup> Share capital is less than RM1,000.

<sup>(b)</sup> As part of the restructuring exercise on 22 July 2014 (Note 1), the company increased its issued and paid-up share capital to RM44,415,000 (S\$17,336,000) with the issue of 110,000,000 ordinary shares.

<sup>(c)</sup> On 24 September 2014, 25,000,000 ordinary shares were issued to the public at S\$0.30 per share pursuant to the company's listing on the Catalist Board of the SGX-ST, for an aggregate consideration of RM19,325,000 (S\$7,500,000) net of listing expenses of approximately RM15,165,000 (S\$5,900,000) for cash. All new ordinary shares were fully subscribed and paid.

<sup>(d)</sup> The listing expenses totalled approximately RM4,410,000 (S\$1,700,000), of which approximately RM1,227,000 (S\$473,000) has been charged to equity and approximately RM3,183,000 (S\$1,227,000) has been charged to profit or loss. The listing expenses amount as disclosed in the Offer Document dated 16 September 2014 of approximately RM4,160,000 (S\$1,600,000) was based on estimated costs and the difference is not significant.

In connection with the listing, the independent auditor was paid fees and expenses totalling RM526,000 (S\$205,000) for their services as reporting accountants.

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

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### 18. SHARE CAPITAL (CONT'D)

#### Capital management:

In order to maintain its listing on the Catalist Board of the SGX-ST, the company has to have share capital with a free float of at least 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

The group's total borrowing is less than the cash and cash equivalents. The debt-to-capital ratio therefore does not provide a meaningful indicator of the risk from borrowings.

### 19. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Trade payables:</u>				
Outside parties	<b>4,652</b>	5,023	–	–
Subtotal	<b>4,652</b>	5,023	–	–
<u>Other payables:</u>				
Outside parties and accrued liabilities	<b>2,547</b>	1,986	<b>291</b>	285
Deposits received from customers	<b>2,523</b>	1,985	–	–
Subtotal	<b>5,070</b>	3,971	<b>291</b>	285
Total trade and other payables	<b>9,722</b>	8,994	<b>291</b>	285

**20. OTHER FINANCIAL LIABILITIES**

	Group	
	2016 RM'000	2015 RM'000
<u>Non-current:</u>		
<u>Financial instruments with floating interest rates:</u>		
Bank loans (secured) (Note 20A)	381	781
<u>Financial instruments with fixed interest rates:</u>		
Finance lease payables (Note 20B)	–	51
Total non-current	381	832
<u>Current:</u>		
<u>Financial instruments with floating interest rates:</u>		
Bankers' acceptance (unsecured) (Note 20A)	280	–
Bank loans (secured) (Note 20A)	400	712
Bank overdrafts (secured) (Note 20A)	976	1,172
Bankers' acceptance (secured) (Note 20A)	185	81
Subtotal	1,841	1,965
<u>Current:</u>		
<u>Financial instruments with fixed interest rates:</u>		
Finance lease payables (Note 20B)	51	110
Total current	1,892	2,075
Total other financial liabilities	2,273	2,907
The non-current portion is repayable as follows:		
Due within 2 to 5 years	381	832
Total non-current	381	832
The range of floating rate interest rates paid was as follows:		
	Group	
	2016 %	2015 %
Bank loans	4.97	4.98
Bank overdrafts	7.85	7.85
Bankers' acceptance	5.13 – 6.32	4.14 – 5.33



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### 20. OTHER FINANCIAL LIABILITIES (CONT'D)

The bank agreements for certain of the bank loans, overdrafts and bankers' acceptance provide among other matters for the following:

- (a) First party charge against the freehold land and buildings of the group as disclosed in Note 11;
- (b) Joint and several guarantees by certain directors of the company and subsidiaries;
- (c) Corporate guarantee for RM1,900,000 executed by Versalink Marketing Sdn. Bhd. to Jemaramas Jaya Sdn. Bhd.; and
- (d) Pledged of fixed deposits (Note 17).

#### 20A. Bank loans, bank overdrafts and bankers' acceptance

The repayment terms of the bank loans are as follows:

1. A RM3,000,000 loan facility is repayable by 96 equal monthly instalments of RM35,830, commencing from July 2009;
2. A RM1,000,000 loan facility is repayable by 60 equal monthly instalments of RM18,790, commencing from November 2009. The loan has been fully paid during the reporting year;
3. A RM722,802 loan facility is repayable by 24 equal monthly instalments of RM31,518, commencing from July 2013. The loan has been fully paid during the reporting year; and
4. A RM1,160,919 loan facility is repayable by 24 equal monthly instalments of RM50,665, commencing from July 2013. The loan has been fully paid during the reporting year.

The fair values of the bank loans, bank overdrafts and bankers' acceptance were estimated by discounting the future cash flows payable under the terms of the loan using the year-end market interest rate applicable to loans of similar credit risk, terms and conditions (Level 2). The carrying amount is a reasonable approximation of fair value (Level 2).

#### 20B. Finance lease payables

Group 2016	Minimum payments RM'000	Finance charges RM'000	Present value RM'000
Minimum lease payments payable:			
Due within one year	52	(1)	51
Total	52	(1)	51
Net carrying value of plant and equipment under finance leases			182
2015			
Minimum lease payments payable:			
Due within one year	115	(5)	110
Due within 2 to 5 years	52	(1)	51
Total	167	(6)	161
Net carrying value of plant and equipment under finance leases			333

**20. OTHER FINANCIAL LIABILITIES (CONT'D)****20B. Finance lease payables (cont'd)**

There are leased assets under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under the finance leases are secured by the lessor's charge over the leased assets. Other details are as follows:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
Lease term, in years	<b>2</b>	3
Effective borrowing rate per annum, in %	<b>5.02</b>	5.02

The total for finance leases and the average effective borrowing rate per year is disclosed above. The fair value is a reasonable approximation of the carrying amount.

**21. ACQUISITION OF A SUBSIDIARY**

On 22 July 2014, the company acquired 100% of the issued capital of Steeltema (M) Sdn. Bhd. (incorporated in Malaysia) and from that date the company gained control and became a subsidiary of the company. The transaction was accounted for by the acquisition method of accounting.

The consideration transferred is as follows:

	<b>RM'000</b>
<u>Consideration transferred</u>	
Cash	500
Total consideration transferred	500

The net assets acquired and the related fair values are as follows:

Plant and equipment	225
Trade and other receivables	155
Inventories	27
Cash and cash equivalents	102
Trade and other payables	(145)
Other financial liabilities	(63)
Fair value of identifiable assets acquired as at 22 July 2014	301

The goodwill arising from the acquisition is as follows:

Consideration	500
Less: Fair value of identifiable assets acquired	(301)
Goodwill arising on acquisition	199

Satisfied by:

Consideration	500
Less: Cash and cash equivalents of subsidiary acquired	(102)
Net cash outflow on acquisition	398

The goodwill arising from the acquisition amounted to RM199,000 has been written off in the reporting year 2015 to other losses (Note 5). The management is of the view that the carrying value is not recoverable. The financial performance of the subsidiary from 22 July to 28 February 2015 was not significant.

## Notes to the Financial Statements

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### 22. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

#### 22A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group (restated)			Company	
	2016 RM'000	2015 RM'000	(restated) 2014 RM'000	2016 RM'000	2015 RM'000
<u>Financial assets:</u>					
Cash and cash equivalents	<b>21,023</b>	18,252	11,605	<b>2,316</b>	4,901
Loans and receivables	<b>6,196</b>	7,004	10,315	<b>22,731</b>	15,835
Financial assets at fair value	<b>11,463</b>	8,680	1,529	–	–
At end of the year	<b>38,682</b>	33,936	23,449	<b>25,047</b>	20,736
<u>Financial liabilities:</u>					
Borrowings measured at amortised cost	<b>2,273</b>	2,907	4,306	–	–
Trade and other payables measured at amortised cost	<b>7,199</b>	7,009	10,260	<b>291</b>	285
At end of the year	<b>9,472</b>	9,916	14,566	<b>291</b>	285

Further quantitative disclosures are included throughout these financial statements.

#### 22B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks and actions to be taken in order to manage the financial risks. All financial risk management activities are carried out and monitored by senior management staff. All financial risk management activities are carried out following acceptable market practices.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

#### 22C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

**22. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)****22D. Credit risk on financial assets**

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments at the end of the reporting year. Credit risk on cash balances with banks is limited because the counter-parties are entities with acceptable credit ratings. For credit risk on receivables, an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk with customers is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk on receivables, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial statements below.

Note 17 disclose the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 to 60 days (2015: 30 to 60 days). But some customers take a longer period to settle the amounts.

- (a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group	
	2016 RM'000	2015 RM'000
<u>Trade receivables:</u>		
Less than 3 months	2,541	1,048
3 to 6 months	134	71
Over 6 months	1,990	2,354
Total	4,665	3,473

- (b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	Group	
	2016 RM'000	2015 RM'000
<u>Trade receivables:</u>		
Over 6 months	598	31
Total	598	31

## Notes to the Financial Statements

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### 22. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

#### 22D. Credit risk on financial assets (cont'd)

The allowance which is disclosed in the note on trade receivable is based on individual accounts totalling RM598,000 (2015: RM31,000) that are deemed to be impaired at the end of reporting year. These are not secured.

Other receivables are normally with no fixed terms and therefore there is no maturity.

Concentration of trade receivable customers as at the end of reporting year:

	Group	
	2016 RM'000	2015 RM'000
Top 1 customer	743	1,559
Top 2 customers	1,462	2,487
Top 3 customers	1,962	3,194

#### 22E. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivative financial liabilities by remaining contractual maturity [contractual and undiscounted cash flows]:

Group	Less than 1 year RM'000	2 - 5 years RM'000	Total RM'000
<u>2016:</u>			
<u>Non-derivative financial liabilities:</u>			
Trade and other payables	7,199	–	7,199
Gross borrowing commitments	1,933	400	2,333
Gross finance lease obligations	52	–	52
At end of the year	9,184	400	9,584
<u>2015:</u>			
<u>Non-derivative financial liabilities:</u>			
Trade and other payables	7,009	–	7,009
Gross borrowing commitments	2,018	816	2,834
Gross finance lease obligations	115	52	167
At end of the year	9,142	868	10,010

**22. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)****22E. Liquidity risk – financial liabilities maturity analysis (cont'd)**

Company	Less than 1 year RM'000	2 - 5 years RM'000	Total RM'000
2016:			
Non-derivative financial liabilities:			
Trade and other payables	291	–	291
At end of the year	291	–	291
2015:			
Non-derivative financial liabilities:			
Trade and other payables	285	–	285
At end of the year	285	–	285

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay. At the end of the reporting year, no claims on the financial guarantees are expected.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 days (2015: 30 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments, the operating activity is expected to generate sufficient cash inflows. In addition, the financial assets are held for which there is a liquid market and that are readily available to meet liquidity needs.

**Bank facilities:**

	Group	
	2016 RM'000	2015 RM'000
Undrawn borrowing facilities	15,304	14,779

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations. A schedule showing the maturity of financial liabilities and unused bank facilities is provided regularly to management to assist in monitoring the liquidity risk.



## Notes to the Financial Statements

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### 22. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

#### 22F. Interest rate risk

The interest rate risk exposure is mainly from changes in fixed interest rates and floating interest rates and it mainly concerns financial liabilities. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group	
	2016 RM'000	2015 RM'000
<u>Financial liabilities with interest:</u>		
Fixed rates	51	161
Floating rates	2,222	2,746
Total at end of the year	2,273	2,907
<u>Financial assets with interest:</u>		
Fixed rates	12,293	9,486

The interest rates are disclosed in Notes 16 and 20.

Sensitivity analysis: The effect on pre-tax profit is not significant.

#### 22G. Foreign currency risks

Analysis of amounts denominated in non-functional currencies:

Group	United States Dollar RM'000	Singapore Dollar RM'000	Thai Baht RM'000	Total RM'000
<u>2016</u>				
<u>Financial assets:</u>				
Cash and bank balances	7,102	3,590	–	10,692
Trade and other receivables	140	22	–	162
Total financial assets	7,242	3,612	–	10,854
<u>Financial liabilities:</u>				
Trade and other payables	(3)	(6)	(495)	(504)
Total financial liabilities	(3)	(6)	(495)	(504)
Net financial assets (liabilities) at end of the year	7,239	3,606	(495)	10,350

**22. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)****22G. Foreign currency risks (cont'd)**

Analysis of amounts denominated in non-functional currencies: (cont'd)

Group	United States Dollar RM'000	Singapore Dollar RM'000	Chinese Renminbi RM'000	Total RM'000
<u>2015</u>				
<u>Financial assets:</u>				
Cash and bank balances	2,980	294	231	3,505
Trade and other receivables	1,862	4,834	–	6,696
Total financial assets	4,842	5,128	231	10,201
<u>Financial liabilities:</u>				
Trade and other payables	(1,521)	(13,970)	(365)	(15,856)
Total financial liabilities	(1,521)	(13,970)	(365)	(15,856)
Net financial assets (liabilities) at end of the year	3,321	(8,842)	(134)	(5,655)

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis:

	Group 2016 RM'000	2015 RM'000
A hypothetical 10% increase in the exchange rate of the functional currency RM against US dollar would have an adverse effect on profit before tax of	<b>(724)</b>	(332)
A hypothetical 10% increase in the exchange rate of the functional currency RM against Singapore dollar would have a (adverse) favourable effect on profit before tax of	<b>(361)</b>	884
A hypothetical 10% increase in the exchange rate of the functional currency RM against Thai Baht would have a favourable effect on profit before tax of	<b>50</b>	–
A hypothetical 10% increase in the exchange rate of the functional currency RM against Chinese Renminbi would have a favourable effect on profit before tax of	<b>–</b>	13

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies, there would be comparable impacts in the opposite direction on the profit or loss and reserves.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each currency to which the entity has significant exposure at the end of the reporting year.

## Notes to the Financial Statements

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### 23. CAPITAL COMMITMENTS

	Group	
	2016 RM'000	2015 RM'000
Commitments to purchase of plant and equipment	–	2,094

### 24. OPERATING LEASE PAYMENT COMMITMENTS – AS LESSEE

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group	
	2016 RM'000	2015 RM'000
Not later than one year	888	438
Later than one year and not later than five years	1,163	1,224
Rental expense for the year	787	537

Operating lease payments are for rentals payable for certain showrooms.

### 25. FINANCIAL INFORMATION BY OPERATING SEGMENTS

#### 25A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported financial performance or financial position of the group.

For management monitoring and reporting purposes, the group is organised into two major operating segments: domestic sales of office furniture and export sales of office furniture. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and define the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information. They are managed separately because each business requires different strategies.

The segments are as follows:

The domestic sales segment is for sales of office furniture derived from local market in Malaysia.

The export sales segment is for sales of office furniture to countries overseas.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate segment's operating results is the gross profit.

**25. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)****25B. Profit or loss from continuing operations and reconciliations**

	Export RM'000	Domestic RM'000	Group RM'000
<b>Continuing operations 2016</b>			
<b>Revenue by segment</b>			
Total revenue by segment	50,044	22,442	72,486
Inter-segment sales	(13,003)	–	(13,003)
<b>Total revenue</b>	<b>37,041</b>	<b>22,442</b>	<b>59,483</b>
<b>Cost of sales by segment</b>			
Total cost of sales by segment	(37,665)	(14,104)	(51,769)
Inter-segment cost of sales	12,978	–	12,978
<b>Total cost of sales</b>	<b>(24,687)</b>	<b>(14,104)</b>	<b>(38,791)</b>
<b>Gross profit</b>	<b>12,354</b>	<b>8,338</b>	<b>20,692</b>
<b>Recurring EBITDA</b>			<b>11,900</b>
Finance costs			(359)
Depreciation			(2,337)
Profit before tax from continuing operations			9,204
Income tax expense			(1,882)
<b>Profit from continuing operations</b>			<b>7,322</b>
<b>Continuing operations 2015</b>			
<b>Revenue by segment</b>			
Total revenue by segment	50,436	23,173	73,609
Inter-segment sales	(13,562)	(263)	(13,825)
<b>Total revenue</b>	<b>36,874</b>	<b>22,910</b>	<b>59,784</b>
<b>Cost of sales by segment</b>			
Total cost of sales by segment	(37,047)	(14,813)	(51,860)
Inter-segment cost of sales	13,507	263	13,770
<b>Total cost of sales</b>	<b>(23,540)</b>	<b>(14,550)</b>	<b>(38,090)</b>
<b>Gross profit</b>	<b>13,334</b>	<b>8,360</b>	<b>21,694</b>
<b>Recurring EBITDA</b>			<b>8,326</b>
Finance costs			(381)
Depreciation			(2,095)
IPO expense			(3,183)
Profit before tax from continuing operations			2,667
Income tax expense			(2,066)
<b>Profit from continuing operations</b>			<b>601</b>

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### 25. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

#### 25C. Assets and reconciliations

	Export RM'000	Domestic RM'000	Unallocated RM'000	Group RM'000
<u>2016</u>				
Total assets for reportable segments	62,307	18,790	69,659	150,756
Elimination of inter-segment receivables	(1,780)	(138)	(67,298)	(69,216)
<b>Total group assets</b>	<b>60,527</b>	<b>18,652</b>	<b>2,361</b>	<b>81,540</b>
<u>2015</u>				
Total assets for reportable segments	56,239	15,731	65,665	137,635
Elimination of inter-segment receivables	(631)	(154)	(60,750)	(61,535)
<b>Total group assets</b>	<b>55,608</b>	<b>15,577</b>	<b>4,915</b>	<b>76,100</b>

#### 25D. Liabilities and reconciliations

	Export RM'000	Domestic RM'000	Unallocated RM'000	Group RM'000
<u>2016</u>				
Total liabilities for reportable segments	30,146	6,010	419	36,575
Elimination of inter-segment payables	(19,880)	(4,582)	(48)	(24,510)
Unallocated:				
Deferred tax liabilities	–	–	1,053	1,053
<b>Total group liabilities</b>	<b>10,266</b>	<b>1,428</b>	<b>1,424</b>	<b>13,118</b>
<u>2015</u>				
Total liabilities for reportable segments	23,882	2,353	294	26,529
Elimination of inter-segment payables	(13,997)	(631)	–	(14,628)
Unallocated:				
Deferred tax liabilities	–	–	1,144	1,144
<b>Total group liabilities</b>	<b>9,885</b>	<b>1,722</b>	<b>1,438</b>	<b>13,045</b>

**25. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)****25E. Other material items and reconciliations**

	Export RM'000	Domestic RM'000	Group RM'000
<b>Capital expenditure for non-current assets:</b>			
2016	<b>4,198</b>	<b>626</b>	<b>4,824</b>
2015	1,541	1,238	2,779
<b>Allowance for impairment loss on inventory obsolescence, net:</b>			
2016	<b>496</b>	–	<b>496</b>
2015	(257)	–	(257)
<b>Impairment loss on trade receivables:</b>			
2016	–	<b>580</b>	<b>580</b>
2015	–	17	17

**25F. Geographical information**

Revenue based on geographical locations of customers is as follows:

	2016 RM'000	2015 RM'000
<b>Revenue:</b>		
Malaysia	<b>22,442</b>	23,230
Middle East	<b>15,356</b>	20,875
North America	<b>7,702</b>	11,293
Asia	<b>7,401</b>	3,422
Singapore	<b>2,150</b>	–
Others	<b>4,432</b>	964
Consolidated revenue	<b>59,483</b>	59,784

Substantially all the group's operations are located in Malaysia, therefore the carrying amount of non-current assets are within Malaysia.

**25G. Information about major customers**

	2016 RM'000	Group 2015 RM'000
Top 1 customer in more than one segment	<b>4,932</b>	8,498
Top 2 customers in more than one segment	<b>9,367</b>	15,530
Top 3 customers in more than one segment	<b>12,692</b>	19,711



## Notes to the Financial Statements

29 February 2016

### 26. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have resulted in some changes in the financial statements presentation and these changes are summarized below:

		After restated RM'000	Before restated RM'000	Difference RM'000
<u>2015 Statement of financial position:</u>				
Cash and cash equivalents	(a), (c)	18,252	26,932	(8,680)
Other financial assets	(a), (c)	8,680	–	8,680
Trade and other receivables	(b)	7,004	8,207	(1,203)
Other assets	(b)	4,424	3,221	1,203
<u>2014 Statement of financial position:</u>				
Cash and cash equivalents	(a), (c)	11,605	13,134	(1,529)
Other financial assets	(a), (c)	1,529	–	1,529

- (a) The restatement was made to reclassify an available-for-sale financial asset from cash and cash equivalent.
- (b) Reclassification was made to enhance comparability with current year's financial statements.
- (c) Statement of Cash Flows – In view of the above changes, consequential reclassifications were made to the Statement of Cash Flows. These includes reclassifying RM1,529,000 and RM8,680,000 from cash and cash equivalents to investing activities for reporting year ended 2015 and 2014 respectively.

As is required by FRS 1 the statement of financial position at the end of the current reporting year and the beginning and end of the preceding reporting year is presented. However, related notes relating to the above balances only (that were restated in the statement of financial position) are presented. Apart from these disclosures, other balances and notes are not impacted by the restatements.

**27. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS**

For the current reporting year, new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements.

<u>FRS No.</u>	<u>Title</u>
FRS 1	Amendments to FRS 1: Disclosure Initiative (early application)
Various	Improvements to FRSs (Issued in January 2014). Relating to FRS 103 Business Combinations FRS 108 Operating Segments FRS 113 Fair Value Measurement FRS 24 Related Party Disclosures
Various	Improvements to FRSs (Issued in February 2014). Relating to FRS 103 Business Combinations FRS 113 Fair Value Measurement

**28. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE**

For the future reporting years, new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

<u>FRS No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
FRS 115	Revenue from Contracts with Customers	1 Jan 2018
FRS 109	Financial Instruments	1 Jan 2018

# Statistics of Shareholdings

As At 13 May 2016

## SHARE CAPITAL

Number of Issued Shares : 135,000,000  
 Class of shares : Ordinary shares  
 Voting rights : 1 vote for each ordinary share  
 Number of treasury shares : Nil

## DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	8	1.14	3,600	0.00
1,001 – 10,000	58	36.00	387,300	0.29
10,001 – 1,000,000	97	54.86	6,148,100	4.55
1,000,001 and above	12	8.00	128,461,000	95.16
<b>Total</b>	<b>175</b>	<b>100.00</b>	<b>135,000,000</b>	<b>100.00</b>

## SHAREHOLDING HELD BY THE PUBLIC

Based on the information available to the Company as at 13 May 2016, approximately 22.09% of the issued ordinary shares of the Company is held in the hands of the public as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules"). Accordingly, Rule 723 of the Catalist Rules is complied with.

## TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares	%
1.	CIMB Securities (Singapore) Pte. Ltd.	62,509,100	46.30
2.	Law Kian Guan (Liu Jianyuan)	15,464,000	11.45
3.	Law Kian Siong	15,464,000	11.45
4.	Law Pei Ling	15,464,000	11.45
5.	BNP Paribas Nominees Singapore Pte. Ltd.	5,000,000	3.70
6.	Gan Hsiao Ping Calvin (Yan Xiaobin Calvin)	3,500,100	2.59
7.	Gan Kim Cho @ Gan Kim Chor	2,800,600	2.07
8.	OCBC Securities Private Limited	2,608,600	1.93
9.	Yeo Khee Seng Benny	2,190,600	1.62
10.	Lim Chye Huat @ Bobby Lim Chye Huat	1,360,000	1.01
11.	Kek Chin Wu	1,075,000	0.80

No.	Name	No. of shares	%
12.	Chan Sin Keng	1,025,000	0.76
13.	Chun Kwong Pong	675,000	0.50
14.	Leow Kar Ping	530,000	0.39
15.	United Overseas Bank Nominees (Private) Limited	300,000	0.22
16.	Tiong Kwai Lan	203,000	0.15
17.	Yeo Ang Hai	200,000	0.15
18.	Wong Soo Chai @ Wong Chick Wai	180,700	0.13
19.	Raffles Nominees (Pte) Limited	156,800	0.12
20.	Fiona Lim Puay Ling (Fiona Lin Peiling)	150,000	0.11
<b>Total</b>		<b>130,856,500</b>	<b>96.90</b>

**SUBSTANTIAL SHAREHOLDERS AS AT 13 MAY 2016**  
**AS RECORDED IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS**

No.	Name of Shareholders	Direct Interest No. of Shares	Deemed Interest No. of Shares	Total	% *
1.	Law Boon Seng	20,294,100	–	20,294,100	15.03
2.	Lee Yuet Chin	18,363,500	–	18,363,500	13.60
3.	Law Pei Ling	15,464,000	278,000 <sup>(1)</sup>	15,742,000	11.66
4.	Law Kian Siong	15,464,000	–	15,464,000	11.45
5.	Law Kian Guan	15,464,000	–	15,464,000	11.45
6.	Law Kian Hong	12,564,500	–	12,564,500	9.31
7.	Yeo Khee Seng Benny	7,190,600	–	7,190,600	5.33

Note:

<sup>(1)</sup> Law Pei Ling is deemed to be interested in the 278,000 shares held by her spouse, Bevan Grant Walters, by virtue of Section 4 of the Securities and Futures Act, Cap. 289.

\* Percentage is calculated based on the total number of issued shares of the Company.

# Notice of Annual General Meeting

## VERSALINK HOLDINGS LIMITED

Registration No. 201411394N  
(Incorporated in Singapore)

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Versalink Holdings Limited will be held at 8 Wilkie Road #03-01 Wilkie Edge Singapore 228095 on Monday, 27 June 2016 at 11:00 am to transact the following business:-

### AS ORDINARY BUSINESS

- |   |              |
|---|--------------|
| 1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 29 February 2016 and the Auditors' Report thereon. | Resolution 1 |
| 2. To declare a final tax exempt (one-tier) dividend of 0.56 Singapore cent per ordinary Share for the financial year ended 29 February 2016.                     | Resolution 2 |
| 3. To approve the Directors' fees of S\$113,442.92 for the financial year ended 29 February 2016.   | Resolution 3 |
| 4. To re-elect Mr Law Kian Siong, who is retiring in accordance with Article 114 of the Company's Constitution, as a Director of the Company.                     | Resolution 4 |
| 5. To re-elect Dr Tay Chuan Hui, who is retiring in accordance with Article 114 of the Company's Constitution, as a Director of the Company.                      | Resolution 5 |

Dr Tay Chuan Hui shall, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and as a member of the Audit Committee and Nominating Committee. Dr Tay Chuan Hui shall be considered independent for the purpose of Rule 704(7) of Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalyst ("Catalist Rules").

- |  |              |
|--|--------------|
| 6. To re-appoint RSM Chio Lim LLP as auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 6 |
|--|--------------|

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as ordinary resolutions, with or without amendments:

- |  |              |
|--|--------------|
| 7. Authority to allot and issue Shares | Resolution 7 |
|--|--------------|

"That pursuant to Section 161 of the Companies Act, Cap. 50. ("Companies Act") and the Catalyst Rules, authority be and is hereby given to the Directors of the Company to allot and issue Shares and convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) 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 provided that:-

- (i) the aggregate number of Shares and convertible securities to be issued pursuant to this Resolution does not exceed hundred per cent (100%) of the total number of issued Shares excluding treasury Shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed fifty per cent (50%) of the total number of issued Shares excluding treasury Shares of the Company (as calculated in accordance with sub-paragraph (ii) below);
- (ii) (subject to such manner of calculations as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued Shares excluding treasury Shares shall be based on the total number of issued Shares excluding treasury Shares of the Company at the time this Resolution is passed after adjusting for:-
  - (a) new Shares arising from the conversion or exercise of any convertible securities;
  - (b) new Shares arising from exercising Share Options (the "Options") or vesting of Share Awards outstanding or subsisting at the time of the passing of the resolution approving the mandate, provided the Options or Awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
  - (c) any subsequent bonus issue, consolidation or sub-division of Shares
- (iii) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (i)]

8. Authority to grant Awards and to allot and issue Shares under the Versalink Performance Share Plan

Resolution 8

"That pursuant to Section 161 of the Companies Act and the Catalist Rules, approval be and is hereby given to the Directors of the Company to:

- a) grant Awards in accordance with the provisions of the Versalink Performance Share Plan ("the Plan"); and
- b) allot and issue from time to time such number of fully paid-up Shares as may be required to be allotted and issued pursuant to the release of Awards under the Plan provided that the aggregate number of Shares to be allotted and issued pursuant to the Plan shall not exceed fifteen per cent (15%) of the total number of issued Shares (excluding treasury Shares) from time to time."

[See Explanatory Note (ii)]

## Notice of Annual General Meeting

### 9. Authority to grant Options in accordance with Versalink Employee Share Option Scheme

Resolution 9

"That pursuant to Section 161 of the Companies Act and the Catalist Rules, approval be and is hereby given to the Directors of the Company to:

- a) offer and grant Options in accordance with the provisions of the Versalink Employee Share Option Scheme ("the Scheme"); and
- b) to allot and issue from time to time such number of fully paid-up shares as may be required to be allotted and issued pursuant to the exercise of the Options under the Scheme provided that the aggregate number of Shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of issued Shares (excluding treasury Shares) from time to time."

[See Explanatory Note (iii)]

### 10. To transact any other business which may be properly transacted at an Annual General Meeting.

#### Explanatory Notes:

- (i) Resolution 7, if passed, will empower the Directors from the date of this Annual General Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company. The number of Shares and convertible securities, which the Directors may allot and issue under this Resolution shall not exceed hundred per cent (100%) of the total number of issued Shares (excluding treasury Shares) at the time of passing this Resolution. For allotment and issue of Shares and convertible securities other than on a pro-rata basis to all shareholders of the Company, the aggregate number of Shares and convertible securities to be allotted and issued shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury Shares). This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting, or by the date by which the next Annual General Meeting is required by law to be held, whichever is earlier.
- (ii) Resolution 8, if passed, will empower the Directors to grant Awards and to issue and allot Shares pursuant to the Plan. The grant of Awards under the Plan will be made in accordance with the provisions of the Plan. The aggregate number of Shares which may be issued pursuant to the Plan shall not exceed fifteen per cent (15%) of the total number of issued Shares (excluding treasury Shares) from time to time.
- (iii) Resolution 9, if passed, will empower the Directors to offer and grant Options under the Scheme and to allot and issue new ordinary Shares in the capital of the Company upon the exercise of such Options in accordance with the Scheme as may be modified by the Committee from time to time, provided that the aggregate number of Shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of issued Shares excluding treasury Shares of the Company from time to time.



**NOTICE OF BOOKS CLOSURE**

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 7 July 2016, for the purpose of determining members' entitlements to the final tax exempt (one-tier) dividend (the "Dividends") to be proposed at the Annual General Meeting of the Company to be held on 27 June 2016.

Duly completed registrable transfers in respect of the Shares in the Company received up to the close of business at 5.00 p.m. on 5 July 2016 by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 will be registered to determine members' entitlements to the Dividends. Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with Shares in the Company as at 5.00 p.m. on 5 July 2016 will be entitled to such proposed Dividends.

The proposed Dividends, if approved at the Annual General Meeting will be paid on 18 July 2016.

**By Order Of the Board**

Seah Kim Swee  
Company Secretary

10 June 2016

## Notice of Annual General Meeting

### Notes:

- a) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. Where a member appoints more than one proxy, he shall specify the proportion of his Shares to be represented by each proxy.
- b) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095 not less than 48 hours before the meeting.
- c) The form of proxy must be signed by the appointor or his attorney duly authorised in writing.
- d) In the case of joint shareholders, all holders must sign the form of proxy.

### Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representatives to attend, speak and vote at the AGM 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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 hereof.

**VERSALINK HOLDINGS LIMITED**

Registration No. 201411394N  
(Incorporated in Singapore)

**IMPORTANT**

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 5 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

**PROXY FORM**

I/We\* \_\_\_\_\_ (Name), NRIC/Passport number\* \_\_\_\_\_  
of \_\_\_\_\_ (Address)  
being a member/members\* of Versalink Holdings Limited (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or\*

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

as my/our\* proxy/proxies\* to attend and to vote for me/us\* on my/our\* behalf at the Annual General Meeting of the Company to be held at 8 Wilkie Road #03-01 Wilkie Edge Singapore 228095 on Monday, 27 June 2016 at 11:00 am and at any adjournment thereof.

(Please indicate in the spaces provided whether you wish the number of vote(s) you wish to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	Number of Votes For**	Number of Votes Against**
<b>ORDINARY BUSINESS</b>			
1.	To receive and consider Directors' Statement and Auditors' Reports and Audited Financial Statements		
2.	To approve a final tax exempt (one-tier) final dividend of 0.56 Singapore cent per share for the financial year ended 29 February 2016		
3.	To approve the Directors' fees for the financial year ended 29 February 2016		
4.	To re-elect Mr Law Kian Siong as Director		
5.	To re-elect Dr Tay Chuan Hui as Director		
6.	To re-appoint RSM Chio Lim LLP as Auditors		
7.	To authorise the Directors to allot and issue shares		
8.	To authorise the Directors to grant awards and issue shares in accordance with the provisions of the Versalink Performance Share Plan		
9.	To authorise the Directors to grant options and issue shares in accordance with the provisions of the Versalink Employee Share Option Scheme		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Total number of Shares held

Signature(s) of member(s) or common seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

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**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 130A of the Companies Act, Chapter 50 of Singapore), 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. Each of the resolutions to be put to the vote of members at the Annual General Meeting (and at any adjournment thereof) will be voted by way of a poll.
3. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead, subject to note 5 below. A proxy need not be a member of the Company.

4. Where a member appoints two (2) proxies, the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy shall be specified. If the proportion of shareholding is not 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 the entire number of shares registered in his/her name in the Register of Members, and any second named proxy as an alternate to the first named proxy.
5. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) 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 each member. Where such member appoints more than two (2) 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, Chapter 19 of Singapore, 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, Chapter 289 of Singapore, and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, 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.
6. Completion and return of the instrument appointing a proxy or proxies shall not preclude a member from attending and voting at a 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 appointing a proxy or proxies to the meeting.
7. 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 Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50.

8. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095 not less than 48 hours before the time appointed for the Annual General Meeting.
9. 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 members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register at least 72 hours before the time appointed for holding the Annual General 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 10 June 2016.

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Affix  
Postage  
Stamp

The Company Secretary  
**Versalink Holdings Limited** (201411394N)

8 Wilkie Road  
#03-01 Wilkie Edge  
Singapore 228095

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## **Singapore**

80 Raffles Place  
Level 35, UOB Plaza 1  
Singapore 048624

☎ +65 8272 4962

☎ +65 6248 4501

## **Malaysia**

Lot 6119 Jalan Haji Salleh  
Batu 5½, Off Jalan Meru  
41050 Klang, Selangor Darul Ehsan  
Malaysia

☎ (603) 3392 6888

☎ (603) 3392 3377

🌐 [www.versalink.com](http://www.versalink.com)