

# ANNUAL REPORT



2020

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

This document has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") in accordance with Rule 226(2)(b) of the Catalist Rules. This document has not been examined or approved by the SGX-ST and the SGX-ST assumes 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.

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# 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 father of the Group CEO and the Executive Directors 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.

Versalink has been endeavoring to develop, design and produce modern system furniture since its establishment. The Group had received numerous awards and certifications over the years, which is a testament to Versalink as 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 remains 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” and “AD MAIORA brands or on an OEM basis that can be tailored to its customers’ specifications.

The Group also supply ancillary products such as seating models and work tools that are sourced 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 divisions, 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 retailers who resell the Group’s products to end-users through their respective retail networks. The Group also supplies to furniture brand owners that purchase from the Group on an OEM basis.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### **Chin Chee Choon**

(Chairman)

Independent Non-Executive Director

### **Chow Wen Kwan**

Independent Director

### **Lim Tong Lee**

Independent Director

### **Law Kian Siong (Matthew Law)**

Executive Director/

Group Chief Executive Officer

### **Law Pei Ling (Arica Walters)**

Executive Director – Corporate  
Strategy

### **Law Kian Guan (Adam Law)**

Executive Director – Special Project

## AUDIT COMMITTEE

### **Chin Chee Choon**

(Chairman)

### **Chow Wen Kwan**

### **Lim Tong Lee**

## NOMINATING COMMITTEE

### **Chow Wen Kwan**

(Chairman)

### **Chin Chee Choon**

### **Lim Tong Lee**

### **Arica Walters**

## REMUNERATION COMMITTEE

### **Lim Tong Lee**

(Chairman)

### **Chin Chee Choon**

### **Chow Wen Kwan**

## COMPANY SECRETARY

### **Seah Kim Swee**

## 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' PROFILE

## Chin Chee Choon

*Independent Non-Executive Chairman*

Mr Chin Chee Choon was appointed as the Independent Non-Executive Chairman on 18 April 2019. He is currently the Advisory Leader and Assurance Director at Nexia TS Public Accounting Corporation ("Nexia TS"). He currently heads the firm's Risk Advisory and Outsourcing and Business Advisory Services. He is also the engagement and signing director for the statutory audit of companies from various industries and sizes including companies listed on the Singapore Stock Exchange ("SGX").

Apart from work, Chin Chee Choon is the Treasurer and Board of Governors of the Spirit of Enterprise, a non-profit organisation promoting and honoring entrepreneurship among youth in Singapore.

Chin Chee Choon is a Public Accountant and a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants 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 was re-appointed as an Independent Non-Executive Chairman on 26 June 2019.

**Other Present Directorship:**

Allied Technology Limited

**Past Directorship (Preceding Five Years):**

Choo Chiang Holdings Ltd

## Matthew Law

*Executive Director/Group Chief Executive Officer*

Mr Matthew Law was appointed as Executive Director on 21 August 2014. He joined the Group in January 1994 and was appointed as Chief Executive Officer ("CEO") of the Group since 2012. As the CEO, he 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 and sales planning, marketing, research and development, warehouse, quality assurance, logistics and purchasing departments. He has more than 20 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 Board of Trustee of the Malaysian Timber Council, the Secretary General of the Malaysian Furniture Council and the Deputy President of the KL Selangor Furniture Association ("KLFA").

Matthew Law was re-appointed as an Executive Director on 26 June 2019.

**Other Present Directorship:**

NIL

**Past Directorship (Preceding Five Years):**

NIL

## Arica Walters

*Executive Director – Corporate Strategy*

Mrs Arica Walters was appointed as Executive Director on 21 August 2014. She joined the Group in June 1995 and was appointed the Chief Operating Officer ("COO") of the Group in 2014. On 13 July 2018, she was re-designated to Executive Director – Corporate Strategy. With over 20 years of experience in the furniture industry, responsible for strategic planning, business and corporate development, evaluates and executes the Group's investments and acquisitions.

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

Arica Walters was re-appointed as an Executive Director on 29 June 2017. She will be seeking re-election at the upcoming Annual General Meeting.

**Other Present Directorship:**

NIL

**Past Directorship (Preceding Five Years):**

NIL

## Adam Law

*Executive Director – Special Project*

Mr Adam Law was appointed as Executive Director on 21 April 2014. He joined the Group in September 2005 and on 13 July 2018, he was re-designated to Executive Director – Special Project. Adam has more than 14 years of experience in the furniture industry. He oversees the progress and achievement of special projects including furniture manufacturing processes and other special projects as directed by Management from time to time. 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 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 was re-appointed as an Executive Director on 29 June 2018.

### **Other Present Directorship:**

NIL

### **Past Directorship (Preceding Five Years):**

NIL

## Chow Wen Kwan

*Independent Director*

Mr Chow Wen Kwan was appointed as an Independent Director on 21 August 2014. He is currently a partner of Bird & Bird ATMD LLP in Singapore. He has more than 18 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 has informed the Company that he does not wish to seek re-election and shall retire as a Director at the forthcoming Annual General Meeting

### **Other Present Directorship:**

Hafary Holdings Limited  
IAG Holdings Limited  
Valuemax Group Limited

### **Past Directorship (Preceding Five Years):**

Ley Choon Group Holdings Limited  
Infinio Group Limited  
Katrina Group Ltd  
SMJ International Holdings Ltd

## Lim Tong Lee

*Independent Director*

Mr Lim Tong Lee was appointed as an Independent Director on 18 April 2019. He has more than 29 years working experience in private equity, corporate finance and auditing. He was the Head of Corporate Finance with KGI Fraser Securities Pte Ltd, Singapore from 2015 to 2017, Venstar Capital Management Pte Ltd, Singapore, from 2014 to 2015 as Senior Vice President, AmWater Investments Management Pte Ltd in 2013 as Chief Investment Officer and AmFraser Securities Pte Ltd, Singapore as Director/ Head of Corporate Finance from 2007 to 2012. He was with AmInvestment Bank Berhad from 1995 to 1997 and 1999 to 2007 with last position as Director of Corporate Finance. He was attached to Ernst & Young, Kuala Lumpur office for 5 years prior to joining AmInvestment Bank in 1995. Between 1997 to 1999, he was employed as the General Manager, Corporate Finance of a property development company in Malaysia.

Lim Tong Lee is a Fellow Member of Association of Chartered Certified Accountants, United Kingdom, a Member of Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

Lim Tong Lee was re-appointed as an Independent Director on 26 June 2019.

### **Other Present Directorship:**

Valuemax Group Limited  
LBS Bina Group Berhad

### **Past Directorship (Preceding Five Years):**

NIL

# 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 20 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).

## 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 a certified Member of the Association of Chartered Certified Accountants and a Chartered Accountant of 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 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 more than 20 years of work experience and expertise in furniture industry, he was then promoted to 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.

# VISION

Our ultimate vision is to become a conscious-centred ethical global company, where we incorporate social goals in all our business goals, so as to maximise improvements in financial, social and environment well-being for all our stakeholders and the Mother Earth.

# MISSION

Our mission is to create good impact in all that we do, through conscious business ethics where we develop best business practices and policies that lead us to operate based on Higher Consciousness decision-making and actions, and to experience higher levels of success, a more satisfied workforce, growth and longevity. We practice mindful awareness and do what is best for the whole by considering the impact on our employees, customers, suppliers, shareholders, the environment, and our community for each choice we made, so as to ensure a strong foundation of integrity, support, good-will and ethical behaviour in businesses.

# CORE VALUES

## 1. ACT WITH INTEGRITY

We believe that everything starts with integrity. We act with integrity and being honest, doing the right thing even when no one is watching.

## 2. RESPECT OURSELVES & OTHERS

We treat ourselves and others with dignity and respect, while being tolerant and accepting of differences. We are mindful of our own thoughts, words and action at all times.

## 3. KEEP OUR COMMITMENTS

We keep our commitments by leading ourselves to do our best. We persevere and never give up.

## 4. BEING RESPONSIBLE

We believe that we ourselves are responsible for everything that we do and every outcome of our own thoughts, words and actions. We do not blame others. We work together to achieve our goals as a team towards our common vision and goals.

## 5. POSITIVE ATTITUDE

We believe that with the right mental attitude while staying positive at all times, everything is possible. With this, we would then be able to achieve prosperity in our lives, not only financially, but also love, health and happiness for ourselves and the people around us.

## 6. SHARING & CARING

It is our nature and joy to share and care. We believe that we have the abundance of wealth, knowledge, skills and experiences to share with everyone.

## 7. STRIVE TO BE MORE

We always strive to be more through action, learning, experiencing, and growing.



# GROUP CORPORATE STRUCTURE



## 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%     **Steeltrema (M) Sdn. Bhd.**  
*Dormant*

100%     **Versalink Technology Sdn. Bhd.**  
*Dormant*

34%     **Alca Vstyle Sdn. Bhd.**  
*Trading in all kinds of high pressure laminate  
and related products*

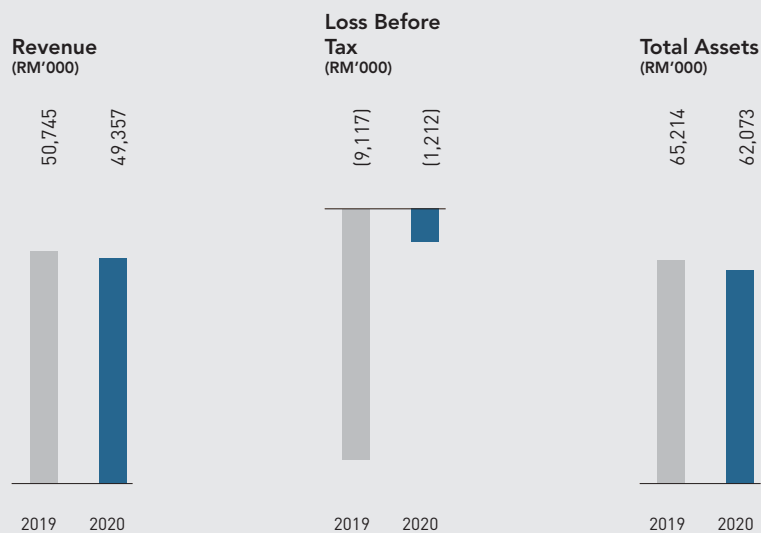
## Singapore

100%     **Versalink (S) Pte. Ltd.**  
*Dormant*

100%     **Versalink System Furniture (S) Pte. Ltd.**  
*Marketing and sale of system furniture  
and other furniture related products*

# GROUP FINANCIAL HIGHLIGHTS

FOR THE YEAR	FY2019 RM'000	FY2020 RM'000
<b>Statement of Profit or Loss and other Comprehensive Income</b>		
Revenue	50,745	<b>49,357</b>
Loss Before Tax	(9,117)	<b>(1,212)</b>
Loss, Net of Tax attributable to owners of the Company	(6,978)	<b>(1,388)</b>
<b>Statement of Financial Position</b>		
Total assets	65,214	<b>62,073</b>
Equity attributable to owners of the Company	54,249	<b>52,861</b>
Issued and paid-up capital	62,513	<b>62,513</b>
<b>Ratios</b>		
Loss per share (sen)		
- On weighted average number of ordinary shares on issue	(5.17)	<b>(1.03)</b>
- On fully diluted basis	(5.17)	<b>(1.03)</b>





# AWARDS AND CERTIFICATIONS



Golden Eagle Award 2014  
Top 10 Excellent Eagle



MIFF 2015 & 2016  
Furniture Excellence Platinum Award,  
Office Furniture Category



“Winner in Furniture,  
Decorative items and  
Homeware Design Category,  
2014-2015”



Listed Companies Awards 2018  
(Furniture and Fixture)



Enterprise 50 Award  
2001 & 2002



28th International Trophy for Quality  
(New Millennium Award),  
Madrid 2000, Spain



ISO 14001:2015  
Environmental Management System for  
Manufacture of Office System Furniture



ISO 9001:2015  
Quality Management System for  
Manufacture of Office System Furniture



2019/2020  
Federation of Malaysian Manufacturers  
Certificate of Membership



PEFC - Chain of Custody



FSC - Chain of Custody



Singapore Business Federation  
Certificate of Membership



Green Label Certificate by  
Singapore Environmental Council  
Versalink Fonte



Green Label Certificate by  
Singapore Environmental Council  
Versalink Lex



Malaysian Interior Industry Partners  
Association (MIIP)  
Certificate of Membership

## 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 2020.

## FINANCIAL PERFORMANCE

The Group's revenue for the year ended 29 February 2020 ("FY2020") was RM49.3 million, a decrease of RM1.4 million or 2.7% as compared to RM50.7 million reported in the previous year.

### Export Segment

The Export segment recorded a slight increase in revenue of 2.3% at approximately RM31.0 million compared to RM30.3 million in the previous financial year. This was mainly attributed to new clients established towards the last quarter of the financial year.

### Domestic Segment

The Domestic segment however recorded a lower revenue of approximately RM18.3 million which represented a 10.3% decrease as compared to RM20.4 million in the previous financial year. The lower revenue was due to the slowdown in retail businesses and reduction of sizeable amount of project tenders. The Company has disposed 17.0% interest in share capital of Alca Vstyle Sdn Bhd ("Alca Vstyle") on 22 November 2019 to a public listed company in India ("Alca Vstyle Disposal") which had also contributed to the decrease in revenue of the domestic segment. The Alca Vstyle Disposal is strategic and the Company believes it will benefit both Alca Vstyle and the Group.

The Group operating expenditure incurred for the financial year at RM16.0 million as compared to RM17.6 million in the previous financial year.

### Overall Results

The Group has reported a lower revenue and a loss, net of tax of approximately RM1.3 million for the financial year ended 29 February 2020.

## DIVIDEND STATEMENT

On the basis of the sustained earnings performance and after taking into consideration the challenging economic condition, the Board of Directors do not recommend dividend for this financial year to conserve cash for working capital requirements and future business opportunities of the Group.



# CHAIRMAN'S STATEMENT

## OUTLOOK AND PROSPECTS

The US-China trade war has opened up opportunities for local furniture businesses in Malaysia, and the Company has secured new clients from the United States in the last quarter of the financial year. However, with the additional increase in minimum wage in Malaysia and levy for foreign workers, have yet again put some pressure on the Company's gross profit margin. Malaysia is also facing tough competition from Vietnam, who have benefited from the US-China trade war with the advantage of more available and competitive manpower and labour over Malaysia. Nevertheless, the Company believes that the Malaysian wooden furniture industry has remained resilient and barring any unforeseen circumstances, its export performance remains promising.

## THE GROUPS' INITIATIVES

The corona virus infectious disease (COVID-19) was declared a global pandemic by the World Health Organization (WHO) on 11 March 2020. In Malaysia, the government imposed a stringent Movement Control Order to control the outbreak of COVID-19 and prevent the collapse of Malaysia's healthcare systems. Like most businesses, this crisis has revealed that the world did not escape this impact, and therefore we will adopt measures to facilitate and increase our resilience to cope with this crisis and other future uncertainties and unpredictable challenges by becoming more flexible in operations, acting more decisively to consider adaptability to adopt alternative solutions, and exercise prudence and diversity in decision making. Nevertheless, the current situation does not affect the underlying strength of our company such as our technical know-how, R&D on new products, high quality products and customer service which also help with the long-term sustainable growth of our business.

Office Furniture in workplace planning is responsible for the ecological health of the ecosystems in workplaces. We will focus to offer options to organizations for employees working from home and working in office workplace, and to help offices balance the need for safety in shared co-spaces and densification that does not interrupt their social interactions. We have been dependent on traditional markets in geographical locations for business and hence, there was an urgency to shift our focus and explore other markets and to expand our market base through the use of E-commerce and other digital platforms. As businesses start to reopen, we expect to see a demand for highly adaptable office furniture in the new normal of the ever-changing workplace.





## ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, I would like to extend our sincere thanks to our customers, suppliers, principals, business associates, financiers, and government authorities for their assistance and continued support towards the Group.

The Board is confident that the Group will continue to strive for improvement. The concerted efforts has been due to the people at Versalink for their unwavering support that we have received from our dedicated management team and staff, partners and all stakeholders.

Finally, we would like to express our sincere gratitude to our valued shareholders for their continuous support and confidence in Versalink, my Board colleagues and Mr Chow Wen Kwan who does not wish to seek re-election and shall retire as a Director at the forthcoming Annual General Meeting, for their professional guidance and valuable contribution, and the management and employees of Versalink for their persistent efforts, commitment and dedication in contributing to the Group during this challenging times. We will continue to strive to do better for the coming years.

**Chin Chee Choon**

Independent Non-Executive Chairman



# 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 are certificate holder of ISO14001, GreenLabel and use raw material ethically sourced from sustainably-managed forests for certified chipboard from FSC and PEFC as to show our commitment to environment preservation and sustainability.

**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.







From having blood donation to a clean-up day, Versalink was the first to initiate Jom! Kutip sampah campaign along Jalan Haji Salleh, Meru Selangor Malaysia. This year's corporate social responsibility campaign was empowered by 350 staffs of Versalink and the local neighbouring community.

Versalink aims to combat solid waste problem by cleaning up litter in the communal spaces. The observance encourages people to make an effort to reduce littering and to recycle so that the nature around us remains clean and devoid of rubbish.

Versalink created a connection to the surrounding community by the support from our fellow neighbours, Klang Selangor City Council and the participation by members of Ministry of Health inaugurated by Yang Berhormat Tuan Mohd Fakrurazi, that emphasized on dengue disease prevention and other health issues. The area covering 3 kilometres along Jalan Haji Salleh was clean as we unclogged the drains filled with rubbish that have polluted the surrounding environment.

Customary practices of using plastic bags, bottles and polystyrene boxes without proper disposals were the most visible. At the end of the clean-up campaign, Versalink distributed stainless steel lunch boxes to everyone who had participated in the event. We hope that we can also do our part in contributing to the global social program that helps to combat waste pollution and do our part as an individuals to reduce, reuse and recycle.

#CSR2019 #VersalinkGoGreen #JomKutipSampah

# 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 practices currently in place with specific reference made to the principles and guidelines of the Code of Corporate Governance 2018 (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 2020, 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: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.**

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 number of meetings held by the Board and Board Committees and attendance thereat during the financial year ended 29 February ("FY") 2020 are as follows:

Name of Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Chin Chee Choon	2	2	2	2	1	1	1	1
Matthew Law	2	2	2	2 <sup>^</sup>	1	1 <sup>^</sup>	1	1 <sup>^</sup>
Arica Walters	2	2	2	2 <sup>^</sup>	1	1	1	1 <sup>^</sup>
Adam Law	2	2	2	2 <sup>^</sup>	1	1 <sup>^</sup>	1	1 <sup>^</sup>
Chow Wen Kwan <sup>1</sup>	2	2	2	2	1	1	1	1
Lim Tong Lee	2	2	2	2	1	1	1	1

<sup>^</sup> By invitation

Note:

- <sup>1</sup> Mr Chow Wen Kwan has informed the Company that he does not wish to seek re-election and he shall retire as a Director at the forthcoming Annual General Meeting.

Directors are provided with board papers and related materials, background or explanatory information relating to matters to be brought before the Board, on a timely basis prior to each Board and Board Committee meetings to enable the Board to make informed decisions. The Board also has separate and independent access to Management, the Company Secretary and external advisors (if necessary). Directors are entitled to request additional information from Management as and when required.

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.

# CORPORATE GOVERNANCE REPORT

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 Directors was provided with a formal letter of appointment setting out their duties, obligations and terms of appointments. If a newly appointed Director does not have any prior experience as a director of a listed company, the Company will arrange for such person to undertake training in the roles and responsibilities of a director of a listed company and to familiarise such person with the relevant rules and regulations governing a listed company. For FY2020, the newly appointed Director, Lim Tong Lee has prior experience as a Director of a listed company.

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 appointment and removal of the company secretary is a decision of the Board as a whole.

## Board Composition and Guidance

**Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.**

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
Chin Chee Choon	Independent Non-Executive Chairman	Chairman	Member	Member
Matthew Law	Executive Director & Group Chief Executive Officer	–	–	–
Arica Walters	Executive Director – Corporate Strategy	–	Member	–
Adam Law	Executive Director – Special Project	–	–	–
Lim Tong Lee	Independent Director	Member	Member	Chairman
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 substantial 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. The Company is not in compliance with principle 2.3 which requires a majority of the Board to be non-executive. However, 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 current Board comprises Directors who as a group provide an appropriate balance and mix of skills, knowledge, experience and other aspects of diversity such as gender and age to avoid group thinking and foster constructive debate. The Board has a diversity of skills, including finance, legal, business and management experience as well as industry knowledge that are critical for the Group's business objectives. Key information regarding our Directors, such as academic and professional qualifications, is set out in the Annual Report under "Board of Directors".

None of the Independent Directors has served on the Board beyond nine (9) years from the date of first appointment.

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. The chairman of such meetings provide feedback to the Board and/or Chairman as appropriate.

#### **Chairman and Group Chief Executive Officer**

**Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.**

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

The Independent 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.

# CORPORATE GOVERNANCE REPORT

## Board Membership

**Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of 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) Independent Directors, Chow Wen Kwan, Chin Chee Choon, Lim Tong Lee and Arica Walters. The Chairman of the NC is Chow Wen Kwan.

Following the retirement of Chow Wen Kwan as a Director at the forthcoming Annual General Meeting, the Company will be sourcing for a new candidate to be appointed on board and the respective board committees to be recomposed.

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.
- 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.
- 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.

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.

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.

Pursuant to Article 114 of the Company's Constitution, 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 at each AGM of the Company. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM.

After assessing the contribution and performance of the retiring Directors, the NC has recommended and noted the following:-

- (i) the re-election of Mrs Arica Walters, who will be retiring by rotation at the forthcoming annual general meeting under Article 114 of the Company's Constitution; and
- (ii) the retirement of Mr Chow Wen Kwan as he is not seeking re-election and will be retiring from the Board effective as of the conclusion of the 2020 AGM.

If re-elected as a director of the Company, Mrs Arica Walters will remain as Executive Director and member of the NC.

The NC has reviewed the independence of the Board members and is of the opinion that Mr Chin Chee Choon and Mr Lim Tong Lee will be considered independent for the purposes of Rule 704(7) of the Catalyst Rules. 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.

Currently, the Company does not have any alternate Director on the Board.

### **Board Performance**

#### **Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual Directors**

A formal assessment process is in place to assess the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual Director to the effectiveness of the Board.

The NC has adopted the performance evaluation forms recommended by the Singapore Institute of Directors. The evaluations are conducted annually. As part of the process, the Directors will complete the evaluation forms which are collated by the Company Secretary, who will then summarise the results of the evaluation and present it to the NC. Recommendations for improvement are then submitted to the Board for discussion and for implementation in areas where the performance and effectiveness could be enhanced.

The performance criteria for the board evaluation are in respect of board size and composition, board independence, board's decision making processes, strategic planning, board information and accountability, board performance in relation to discharging its principal functions and financial targets.

The evaluation of the Board is to be performed annually by having all members complete Board and individual Directors' evaluation questionnaires individually based on the above assessment parameters.

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.



# CORPORATE GOVERNANCE REPORT

## B. REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

**Principle 6: The Board has a formal and transparent procedure for developing policies on Director and Executive remuneration, and for fixing the remuneration packages of individual Directors and Key Management Personnel. No Director is involved in deciding his or her own remuneration.**

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

Following the retirement of Chow Wen Kwan as a Director at the forthcoming Annual General Meeting, the Company will be sourcing for a new candidate to be appointed on board and the respective board committees to be recomposed.

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. The Board has not engaged any external remuneration consultant to advise on remuneration matters for FY2020. In respect of fees for Directors, approval of shareholders is required at each Annual General Meeting of the Company.

The RC also considers all aspects of remuneration, including termination clauses contained in the contracts of service for Key Management Personnel to ensure that they are fair and reasonable and not overly generous. The RC aims to be fair and avoid rewarding poor performance.

## Level and Mix of Remuneration

**Principle 7: The level and structure of remuneration of the Board and Key Management Personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.**

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, which was last renewed in August 2018 and are for a period of two (2) years, subject to renewal subsequently. 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 FY2020, 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:

NPBT	Performance Bonus
RM15 million $\leq$ NPBT $\leq$ 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 $\leq$ 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 FY2020 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 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.**

The various components of the remuneration of Directors and key Management personnel of the Group for FY2020 in percentage are disclosed below. The remuneration received by Directors and key Management personnel for FY2020 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 2020 are as follows:

Name of Director	Salary	Bonus	Directors' Fees	Allowances & Other Benefits <sup>1</sup>	Total Remuneration
	%	%	%	%	%
<b>Up to S\$250,000</b>					
Matthew Law	88	3	–	9	100
Arica Walters	88	3	–	9	100
Adam Law	86	3	–	11	100
Chin Chee Choon	–	–	100	–	100
Chow Wen Kwan	–	–	100	–	100
Lim Tong Lee	–	–	100	–	100
Name of Key Management Personnel	Salary	Bonus	Fees	Allowances & Other Benefits <sup>1</sup>	Total Remuneration
	%	%	%	%	%
<b>Up to S\$250,000</b>					
Ong Ying Ling	82	7	–	11	100
Yoon Hooi Eng	81	7	–	12	100
Len Kwai Keong	72	6	–	22	100

Note:

<sup>1</sup> The Allowance and Other Benefits mainly relates to mobile allowance and statutory contribution in relation to the salary.

"Immediate family member" means spouse, child, adopted child, stepchild, brother, sister and parent. There is no employee of the Company and its subsidiaries who was an immediate family member of a Director, the CEO or a substantial shareholder and whose remuneration exceeded S\$100,000 during FY2020.

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

### Risk Management and Internal Controls

**Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.**

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.

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 FY2020, 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 Group's risk management and internal control systems.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, risk management 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 financial, operational, compliance and information technology risks of the Company as at 29 February 2020.

The Board did not establish a separate Board risk committee as the Board is currently assisted by the AC, internal auditors and external auditors in carrying out its responsibility of overseeing the Group's risk management framework and policies.

# CORPORATE GOVERNANCE REPORT

## Audit Committee

### Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

The Audit Committee ("AC") comprises the Company's three (3) Independent Directors, Chin Chee Choon, Chow Wen Kwan and Lim Tong Lee. Two of the AC members, including the AC Chairman have recent and relevant accounting or related financial management expertise or experience. 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.

Following the retirement of Chow Wen Kwan as a Director at the forthcoming Annual General Meeting, the Company will be sourcing for a new candidate to be appointed on board and the respective board committees to be reconstituted.

The AC members are not former partner or Director of the Company's existing auditing firm and they have no financial interest in such auditing firm.

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.
- (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.

# CORPORATE GOVERNANCE REPORT

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 716 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 2020 are disclosed in Note 6 as set out on page 61 of the Annual Report.

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 Executive Director – Corporate Strategy. 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.

AC also reviews and decides on the appointment and termination of internal auditors.

During the financial year ended 29 February 2020, 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 independent, effective and 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.

The Internal Auditor has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

AC members have to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements. This is done via regular updates and briefings provided by the external auditors to the AC as well as accounting standards update seminars conducted by various accounting firms or professional bodies.



### 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.

## D. SHAREHOLDER RIGHTS AND ENGAGEMENT

### Shareholder Rights and Conduct of General Meetings

**Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.**

The Board is accountable to the shareholders and is mindful of its obligation to provide timely and fair disclosure of material information to shareholders, investors and public. The Board treats all shareholders fairly and equitably and seeks to protect and facilitate exercise of shareholder's rights.

The Company announces financial information, major developments and other price sensitive information on the SGXNet in a timely manner to ensure investors are kept abreast of the Group's developments. The annual report, circulars and notices of all shareholders' meetings will be posted on the Company's website and SGXNet. For the upcoming FY2020 Annual General Meeting, due to the current COVID-19 restriction orders in Singapore, a shareholder will not be able to attend the Annual General Meeting in person. Shareholders are encouraged to register themselves for the live webcast. Shareholders (whether individual or corporate) must appoint the Chairman of the Meeting as their proxy to attend, speak and vote on their behalf at the Annual General Meeting if they wish to exercise their voting rights at the Annual General Meeting.

The Chairman of the Board and the various Committees are normally present and available to address questions at Annual General Meetings. The independent auditors are present to assist the Board in addressing any relevant queries from our shareholders. All shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to be updated on the Group's strategies and goals.

# CORPORATE GOVERNANCE REPORT

All shareholders are entitled to participate in and vote at the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the general meeting through a proxy form sent in advance. The Company's Constitution does not include the nominee or custodial services to appoint more than two proxies.

The Company is not implementing absentia voting methods such as voting via mail, email or fax until security, integrity and other pertinent issues are satisfactorily resolved.

Minutes of general meetings of shareholders will be published on the Company's website and announced via SGXNet as soon as practicable. The minutes will record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting and responses from the Directors and Management.

The Company ensures that there are separate resolutions at general meetings on each substantially separate issue. Where the resolutions are "bundled", the Company will explain the reasons and material implications in the notice of meeting. For greater transparency, the Company will put all resolutions to vote by poll and make an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will be presented and announced on the same day.

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.

Having considered the challenging business environment which the Group operates and the projected funding required for projects undertaken by the Group, the Board has decided not to recommend a dividend for FY2020.

## Engagement with Shareholders

**Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.**

Communication with shareholders are mainly made via SGXNET. This includes half-yearly financial results announcements, public announcements on major developments and price-sensitive information and annual reports. Some of these documents are also made available on the Company's website.

The Company does not have an investor relations policy but maintains an investor relations website and the contact details of the investor relations can be found on the Company's website which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.

Shareholders may contact the Company or email to [IR@versalink.com](mailto:IR@versalink.com) with questions and they will receive responses in a timely manner.

## **E. MANAGING STAKEHOLDERS RELATIONSHIPS**

### **Engagement with Stakeholders**

**Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.**

The Board regularly engaged the stakeholders through various means and communication channels. The relationships with material stakeholders have an impact on the company's long term sustainability, service and products standards. By considering and balancing the needs and interests of material stakeholders, it would ensure the interests of the company are best served. The material stakeholders of the Company include investors, employees, customers, investors, government and regulators as well as the community.

The Company's website provides a platform to allow communication and engagement with stakeholders at [sustainability@versalink.com](mailto:sustainability@versalink.com) for their valuable feedback.

## **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.

In view of the processes in place, in the opinion of the Directors, the Company has complied with Rule 1204(19) of the Catalist Rules on dealings in securities.

## **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.

Pursuant to Rule 905 of the Catalist Rules, there are no interested person transactions entered into by the Company or any of its subsidiaries during FY2020.

# CORPORATE GOVERNANCE REPORT

## **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 2020.

## STATEMENT BY DIRECTORS AND FINANCIAL STATEMENTS

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# 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 2020.

## 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

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

Law Kian Siong

Law Pei Ling

Law Kian Guan

Chin Chee Choon

Chow Wen Kwan

Lim Tong Lee

## 3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the reporting year had no interest 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	
	Number of shares of no par value	
The company – Versalink Holdings Limited		
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 Pei Ling	278,000	278,000

The directors' interests as at 21 March 2020 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:

- Lim Tong Lee – Chairman of the remuneration committee, non-executive 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 the 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 PSP is administered by the remuneration committee. The participants of the PSP are similar to those of the ESOS.

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 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 the general meeting, provided always that the PSP may continue beyond the above stipulated period with the approval of the shareholders by ordinary resolution in the 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. REPORT OF 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, non-executive chairman and independent director |
| Chow Wen Kwan   | – | Independent director   |
| Lim Tong Lee    | – | 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 2020.

## 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 26 June 2020, 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 Kian Guan**

Director

7 August 2020

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VERSALINK HOLDINGS LIMITED (Registration No: 201411394N)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

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 2020, 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 notes to the financial statements, including the significant accounting policies.

In our opinion, the accompanying 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 Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 29 February 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

### Basis of opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

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

#### (1) Net realisable value of inventories

Please also refer to Note 2 on the relevant accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties; and Note 16 on inventories at the reporting year end.

The group had inventories of RM12,731,000 as at end of the reporting year. The carrying amount of inventories may not be recoverable in full if those inventories become slow moving, or if their selling prices have declined below carrying amounts.

The estimate of allowance for obsolete inventories is based on the age of these inventories, prevailing market conditions in the system furniture industry and historical provisioning experience which requires management judgement. Management applies particular judgement in the areas relating to inventory allowance based on inventory aging. This methodology relies upon assumption made in determining appropriate allowance of inventories.

#### *How we addressed the matter in our audit*

For samples selected, our audit procedures included, among others (i) checking the net realisable value of the inventories by comparing cost to subsequent selling prices; and (ii) reviewing the inventory turnover days and aging of the inventories to assess if there were any significant built up of aged inventories and assessing the reasonableness of the allowance for inventory obsolescence.

We found no material exceptions from the procedures performed above.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VERSALINK HOLDINGS LIMITED (Registration No: 201411394N)

## Key audit matters (cont'd)

### (2) Net realisable value of trade receivables

Please also refer to Note 2 on the relevant accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties; and Notes 17 and 27D for the receivables and credit risk of the group respectively.

Trade receivables totalled RM3,484,000 as at the end of the reporting year. Any impairment of significant receivables could have material impact to the group's profit or loss.

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

#### *How we addressed the matter in our audit*

Our audit procedures included (a) assessing the recoverability of the significant aged debts, by discussing with management, checking subsequent collections and corroborating to the historical payment records; and (b) assessing whether disclosures in respect of the credit risk of trade receivables is appropriate.

For the simplified expected credit losses ("ECL") model, our audit procedures included (a) reviewing management's assessment of ECL; and (b) assessing the measurement of expected loss allowance.

We also evaluated the qualitative adjustment to the allowance and challenging the reasonableness of the key assumptions in determining the allowance.

We found the estimates to be balanced and the disclosures to be appropriate.

## Other information

Management is responsible for the other information. The other information comprises information included in the statement by directors and the annual report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and 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.

### **Responsibilities of management and directors for the financial statements (cont'd)**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VERSALINK HOLDINGS LIMITED (Registration No: 201411394N)

## **Report on other legal and regulatory requirements**

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

The engagement partner on the audit resulting in this independent auditor's report is Pang Hui Ting.

RSM Chio Lim LLP  
Public Accountants and  
Chartered Accountants  
Singapore

7 August 2020

Engagement partner - effective from reporting year ended 29 February 2016



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 29 FEBRUARY 2020

	Notes	Group 2020 RM'000	2019 RM'000
<b>Revenue</b>	4	<b>49,357</b>	50,745
Cost of sales		(37,162)	(38,858)
<b>Gross profit</b>		<b>12,195</b>	11,887
Interest income		157	183
Other gains	5	4,585	968
Marketing and distribution expenses	6	(7,273)	(7,936)
Administrative expenses	6	(8,736)	(9,630)
Other losses	5	(1,757)	(4,236)
Finance costs		(313)	(353)
Share of loss from equity-accounted associate	15	(70)	–
<b>Loss before income tax</b>		<b>(1,212)</b>	(9,117)
Income tax (expense) credit	8	(42)	840
<b>Loss, net of income tax</b>		<b>(1,254)</b>	(8,277)
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations, net of income tax		–	1
<b>Total comprehensive loss for the year</b>		<b>(1,254)</b>	(8,276)
<b>(Loss) profit, net of income tax attributable to:</b>			
Owners of the company		(1,388)	(6,978)
Non-controlling interest		134	(1,299)
<b>Loss, net of income tax</b>		<b>(1,254)</b>	(8,277)
<b>Total comprehensive (loss) income for the year attributable to:</b>			
Owners of the company		(1,388)	(6,977)
Non-controlling interest		134	(1,299)
<b>Total comprehensive loss for the year</b>		<b>(1,254)</b>	(8,276)
<b>Loss per share (Sen Ringgit Malaysia)</b>			
Basic and diluted	9	(1.03)	(5.17)

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 29 FEBRUARY 2020

	Notes	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	31,000	32,431	–	–
Right-of-use assets	12	1,162	–	–	–
Intangible asset	13	–	–	–	–
Investment in subsidiaries	14	–	–	60,510	60,510
Investment in associate	15	–	–	–	–
Other receivables, non-current	17	2,055	–	278	493
<b>Total non-current assets</b>		<b>34,217</b>	<b>32,431</b>	<b>60,788</b>	<b>61,003</b>
<b>Current assets</b>					
Asset held for sale under SFRS(I) 5	11	–	1,384	–	–
Inventories	16	12,731	13,770	–	–
Trade and other receivables, current	17	4,182	4,593	8,066	7,527
Other non-financial assets, current	18	1,482	4,045	32	32
Other financial assets, current	19	3,376	2,801	–	–
Cash and cash equivalents	20	6,085	6,190	176	55
<b>Total current assets</b>		<b>27,856</b>	<b>32,783</b>	<b>8,274</b>	<b>7,614</b>
<b>Total assets</b>		<b>62,073</b>	<b>65,214</b>	<b>69,062</b>	<b>68,617</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	21	62,513	62,513	62,513	62,513
(Accumulated losses) retained earnings		(9,660)	(8,272)	6,232	5,802
Foreign currency translation reserves		8	8	–	–
<b>Equity attributable to owner of the parent</b>		<b>52,861</b>	<b>54,249</b>	<b>68,745</b>	<b>68,315</b>
Non-controlling interests		–	(451)	–	–
<b>Total equity</b>		<b>52,861</b>	<b>53,798</b>	<b>68,745</b>	<b>68,315</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	8	173	173	–	–
Other financial liabilities, non-current	23	–	286	–	–
Lease liabilities, non-current	24	681	–	–	–
<b>Total non-current liabilities</b>		<b>854</b>	<b>459</b>	<b>–</b>	<b>–</b>
<b>Current liabilities</b>					
Liability associated with asset held for sale	11	–	1,036	–	–
Income tax payable		19	4	19	4
Trade and other payables, current	22	6,372	7,704	298	298
Other financial liabilities, current	23	1,458	2,213	–	–
Lease liabilities, current	24	509	–	–	–
<b>Total current liabilities</b>		<b>8,358</b>	<b>10,957</b>	<b>317</b>	<b>302</b>
<b>Total liabilities</b>		<b>9,212</b>	<b>11,416</b>	<b>317</b>	<b>302</b>
<b>Total equity and liabilities</b>		<b>62,073</b>	<b>65,214</b>	<b>69,062</b>	<b>68,617</b>

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

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 29 FEBRUARY 2020

Group	Total Equity RM'000	Non- Controlling Interests RM'000	Attributable to Parent Subtotal RM'000	Share Capital RM'000	Foreign Currency Translation Reserves RM'000	Accumulated Losses RM'000
<b>Current year:</b>						
Opening balance at 1 March 2019	53,798	(451)	54,249	62,513	8	(8,272)
<b>Changes in equity:</b>						
Total comprehensive (loss) income for the year	(1,254)	134	(1,388)	–	–	(1,388)
Disposal of subsidiary with a change in control (Note 14A)	317	317	–	–	–	–
<b>Closing balance at 29 February 2020</b>	<b>52,861</b>	<b>–</b>	<b>52,861</b>	<b>62,513</b>	<b>8</b>	<b>(9,660)</b>
<b>Previous year:</b>						
Opening balance at 1 March 2018	62,617	848	61,769	62,513	7	(751)
Effect of adoption of SFRS(I) 9 (Notes 17 and 30)	(543)	–	(543)	–	–	(543)
<b>Adjusted balance at 1 March 2018</b>	<b>62,074</b>	<b>848</b>	<b>61,226</b>	<b>62,513</b>	<b>7</b>	<b>(1,294)</b>
<b>Changes in equity:</b>						
Total comprehensive (loss) income for the year	(8,276)	(1,299)	(6,977)	–	1	(6,978)
<b>Closing balance at 28 February 2019</b>	<b>53,798</b>	<b>(451)</b>	<b>54,249</b>	<b>62,513</b>	<b>8</b>	<b>(8,272)</b>

Company	Total Equity RM'000	Share Capital RM'000	Retained Earnings RM'000
<b>Current year:</b>			
Opening balance at 1 March 2019	68,315	62,513	5,802
<b>Changes in equity:</b>			
Total comprehensive income for the year	430	–	430
<b>Closing balance at 29 February 2020</b>	<b>68,745</b>	<b>62,513</b>	<b>6,232</b>
<b>Previous year:</b>			
Opening balance at 1 March 2018	68,893	62,513	6,380
<b>Changes in equity:</b>			
Total comprehensive loss for the year	(578)	–	(578)
<b>Closing balance at 28 February 2019</b>	<b>68,315</b>	<b>62,513</b>	<b>5,802</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 29 FEBRUARY 2020

	Group	
	2020	2019
	RM'000	RM'000
<b><u>Cash flows from operating activities</u></b>		
Loss before tax	(1,212)	(9,117)
Adjustments for:		
Depreciation of property, plant and equipment	2,863	2,626
Depreciation of right-of-use assets	512	–
Gains on disposal of plant and equipment	(2)	(77)
Gains on disposal of a subsidiary	(1,130)	–
Impairment allowance on investment in associate	270	–
Interest income	(157)	(183)
Interest expense	313	353
Plant and equipment written off	23	3
Share of loss from associate	70	–
Operating cash flows before changes in working capital	1,550	(6,395)
Inventories	(3,150)	1,150
Trade and other receivables	(604)	7,531
Other non-financial assets	553	1,942
Other financial assets	(575)	3,463
Trade and other payables	2,801	(1,113)
Net cash flows from operations	575	6,578
Income taxes refund	1,392	545
Net cash flows from operating activities	1,967	7,123
<b><u>Cash flows used in investing activities</u></b>		
Purchase of property, plant and equipment (Note 10)	(1,956)	(7,402)
Proceeds from disposals of plant and equipment	22	77
Disposal of a subsidiary, net of cash disposed (Note 14A)	24	–
Interest received	157	183
Net cash flows used in investing activities	(1,753)	(7,142)
<b><u>Cash flows from (used in) financing activities</u></b>		
Repayment from associate	191	–
Increase (decrease) in other financial liabilities (Note 20B)	731	(420)
Lease liabilities (Note 20B)	(572)	(24)
(Decrease) increase in cash restricted in use	(28)	296
Interest paid	(246)	(353)
Net cash flows from (used in) financing activities	76	(501)
Effect of foreign exchange rate adjustments	–	1
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>290</b>	<b>(519)</b>
Cash and cash equivalents, statement of cash flows, beginning balance	4,390	4,909
<b>Cash and cash equivalents, statement of cash flows, ending balance (Note 20A)</b>	<b>4,680</b>	<b>4,390</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

29 FEBRUARY 2020

## 1. GENERAL

The company is incorporated in Singapore with limited liability. It is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 24 September 2014.

The financial statements are presented in Ringgit Malaysia ("RM") and all financial information have been rounded to the nearest thousand (RM'000), except when otherwise stated.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors. The directors have the power to amend and reissue the financial statements.

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 14 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.

### Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") and the related Interpretations to SFRS(I) ("SFRS(I) INT") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

### Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

### 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.



# NOTES TO THE FINANCIAL STATEMENTS

29 FEBRUARY 2020

## 1. GENERAL (CONT'D)

### Basis of presentation

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 (the parent and its subsidiaries) 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 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.

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 the financial reporting standard on financial instruments.

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 comprehensive income is not presented.

### Covid-19 pandemic and the aftermath

The Covid-19 pandemic and the aftermath of the pandemic globally forced to suspend or limit business operations during the reporting year and the aftermath is expected for the unforeseeable period ahead. Measures were taken by the governments to contain the spread of Covid-19, including travels, social distancing and closure of non-essential services. This resulted in an economic slowdown, which have adversely impacted on the business of the reporting entity. The economic uncertainties have created questions about the uncertainties relating to the impairment or recoverability of certain assets (including impairment allowances for inventories and receivables) and the completeness or valuation of certain assets and liabilities reflected in these financial statements. An assessment was made by management whether for the current reporting year there were any indications that these assets and liabilities may be impacted adversely. If any such indication of uncertainties existed, an estimate was made of the realisable amount and or fair value of the relevant assets and the completeness of the liabilities (which balances are more fully disclosed in the relevant notes to these financial statements). The recoverability of the assets and the ability of the entity to maintain or pay its debts as they mature are dependent to a large extent on the efficacy of the fiscal and other measures undertaken by Singapore and the affected countries overseas to successfully meet those economic challenges. As the pandemic continues to progress and evolve, it is extremely challenging to predict the full extent and duration of its impact on the entity's businesses and the countries where the reporting entity operates.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 2A. Significant accounting policies

#### Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods – Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

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

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

#### **Employee benefits**

Contributions to 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 is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution 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.

#### **Borrowing costs**

Borrowing costs are interest and other costs incurred in connection with the borrowings. 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.

#### **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 each end of the 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 reporting 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 a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. 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 combined financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and income and expense items for each statement presenting 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.

#### **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. 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 each end of the 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. 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, branches and associates, and joint arrangements 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.

# NOTES TO THE FINANCIAL STATEMENTS

29 FEBRUARY 2020

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

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

#### Property, plant and equipment

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. Depreciation is provided on a straight-line method 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:

Freehold land	–	Not depreciated
Leasehold property	–	Over the terms of lease that is 1.28%
Buildings	–	2%
Furniture and fittings	–	10% to 20%
Plant and machinery	–	10% to 20%
Motor vehicles	–	20%
Renovations	–	10%

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.

Work in progress is not depreciated as these assets are not yet available for use.

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.

#### Right-of-use assets

The right-of-use assets are accounted and presented as if they were owned such as property, plant and equipment. The annual rates of depreciation is 2 to 4 years.

#### Leases of lessee

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A right-of-use asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The right-to-use asset is depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and an interest expense is recognised on the lease liability (included in finance costs). Short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office equipment) where an accounting policy choice exists under the lease standard whereby the lease payments are expensed to profit or loss as incurred on a straight line basis over the remaining lease term.

## **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.

#### **Associates**

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with the financial reporting standard on business combinations. However the entire carrying amount of the investment is tested under the financial reporting standard on impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in the financial reporting standard on financial instruments indicates that the investment may be impaired.

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.

Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with the financial reporting standard on financial instruments from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

In the company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate 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 an investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

# NOTES TO THE FINANCIAL STATEMENTS

29 FEBRUARY 2020

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

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

#### Business combinations

There were no business combinations during the reporting year.

#### Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### 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.

#### Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about 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 each end of the reporting 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 of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the 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 each end of the reporting 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 measured, net of depreciation or amortisation, if no impairment loss had been recognised.

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

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

#### Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.
2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
3. Financial asset that is an equity investment measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
4. Financial asset classified as measured at fair value through profit or loss (FVTPL): All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss (FVTPL) in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

29 FEBRUARY 2020

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

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

#### Fair value measurement

The fair value is 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. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account. 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.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

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 reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

### 2B. Other explanatory information

#### 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.

#### 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)

### 2C. 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 Note 16 on inventories.

Net realisable value of trade receivables:

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. For those with common characteristic an allowance matrix is used based on its historical observed default rates (over a period of certain months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. 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 Note 17 on trade and other receivables.

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 disclosed in Note 10.

Measurement of impairment of investment in subsidiaries:

Where a subsidiary is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment, in accordance with the stated accounting policy. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. 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 asset or liability affected. The carrying amount of the specific asset or liability (or class of assets or liabilities) at the end of the reporting year affected by the assumption is RM60,510,000.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

The financial reporting standard 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 and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise. The transactions were not significant.

### 3B. Key management compensation:

	Group	
	2020	2019
	RM'000	RM'000
Salaries and other short-term employee benefits	2,159	2,458

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

	Group	
	2020	2019
	RM'000	RM'000
Remuneration of directors of the company	1,451	1,604
Fees to directors of the company	324	321

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 entity, directly or indirectly. Key management compensation comprised those of directors and other key management personnel totalling 6 (2019: 7) persons.

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

#### 3C. Other receivables from related parties:

The movements in other receivables from and other payables to related parties are as follows:

Company	Subsidiaries	
	2020 RM'000	2019 RM'000
<u>Other receivables:</u>		
Balance at beginning of the year	5,620	5,674
Amounts paid in and settlement of liabilities on behalf of the company	(1,085)	(1,419)
Amounts paid out and settlement of liabilities on behalf of the subsidiaries	504	1,365
Reclassified to associate	(280)	–
Balance at end of the year (Note 17)	4,759	5,620

### 4. REVENUE

Revenue from contracts with customers

	Group	
	2020 RM'000	2019 RM'000
Sale of goods	49,357	50,745

The revenue from sale of goods is recognised based on point in time. The customers are mainly retailers and corporate customers. Also see Note 26.

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. OTHER GAINS AND (OTHER LOSSES)

	Group	
	2020	2019
	RM'000	RM'000
Allowance for impairment on trade receivables		
– collectively impaired (Note 17)	(41)	–
– individually impaired (Note 17)	–	(3,800)
Allowance for impairment on other receivables due from an associate		
– individually impaired (Note 17)	(1,168)	–
Bad trade debts written off	(62)	(39)
Foreign exchange adjustment losses, net	(171)	(394)
Gains on disposal of plant and equipment	2	77
Gains on disposal of subsidiary (Note 14A)	1,130	–
Impairment allowance on investment in associate (Note 15)	(270)	–
Insurance claims	3	27
Interest on compensation claimed	101	485
Plant and equipment written off	(23)	(3)
Reversal of allowance for impairment on trade receivables		
– collectively impaired (Note 17)	–	267
– individually impaired (Note 17) <sup>(a)</sup>	3,286	–
Sale of scrap materials	21	47
Sundry income	42	65
Sundry expenses	(22)	–
<b>Total</b>	<b>2,828</b>	<b>(3,268)</b>
Presented in profit or loss as:		
Other income and gains	4,585	968
Other losses	(1,757)	(4,236)
<b>Net</b>	<b>2,828</b>	<b>(3,268)</b>

- (a) Following the adjudication of claim filed against the customer in the reporting year 2020, a trade receivable balance of RM2,813,000 which was impaired in the previous reporting year was recovered in the current reporting year.

## 6. MARKETING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

The major components include the following:

	Group	
	2020	2019
	RM'000	RM'000
<u>Marketing and distribution expenses</u>		
Advertisement and promotions	331	738
Sales commissions	128	143
Depreciation of property, plant and equipment (Note 10)	144	178
Depreciation of right-of-use assets	512	–
Employee benefits expense (Note 7)	4,050	4,482
Showroom's rental expense	–	415
Logistics expense	569	686
<u>Administrative expenses</u>		
Depreciation of property, plant and equipment (Note 10)	954	996
Employee benefits expense (Note 7)	4,451	4,668
Audit fees to:		
- Independent auditor of the company	224	231
- Other independent auditor	72	87
Non-audit fees to:		
- Independent auditor of the company	16	28

## 7. EMPLOYEE BENEFITS EXPENSE

	Group	
	2020	2019
	RM'000	RM'000
Short term employee benefits expense	13,043	13,054
Contributions to defined contribution plans	1,068	1,102
Other benefits	943	1,045
<u>Total employee benefits expense</u>	<u>15,054</u>	<u>15,201</u>
The employee benefits expense is charged as follows:		
Cost of sales	6,553	6,051
Marketing and distribution expenses (Note 6)	4,050	4,482
Administrative expenses (Note 6)	4,451	4,668
<u>Total employee benefits expense</u>	<u>15,054</u>	<u>15,201</u>

# NOTES TO THE FINANCIAL STATEMENTS

29 FEBRUARY 2020

## 8. INCOME TAX

### 8A. Components of income tax expense (credit) recognised in profit or loss include:

	Group	
	2020	2019
	RM'000	RM'000
<u>Current tax expense:</u>		
Current tax expense	7	5
Under adjustments in respect of prior periods	35	35
Subtotal	42	40
<u>Deferred tax credit:</u>		
Deferred tax credit	–	(504)
Over adjustments in respect of prior periods	–	(376)
Subtotal	–	(880)
Total income tax expense (credit)	42	(840)

Substantially the group's operations are located in Malaysia for the financial years under review. Accordingly, the Malaysian statutory tax rate of 24% (2019: 24%) is used in the reconciliation below:

	Group	
	2020	2019
	RM'000	RM'000
Loss before tax	(1,212)	(9,117)
Less: Share of loss from equity-accounted associate	70	–
	(1,142)	(9,117)
Income tax credit at the above rate	(274)	(2,188)
Effect of different tax rate in different country and change in tax rate	(32)	42
Expenses not deductible for tax purposes	56	260
Tax exemptions and rebate	(30)	(19)
Unrecognised deferred tax recognised this year	(290)	–
Deferred tax assets not recognised	594	1,406
Under (over) adjustment to tax in respect of prior periods	35	(341)
Other minor items	(17)	–
Total income tax expense (credit)	42	(840)

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

The major not deductible items include the following:

	Group	
	2020	2019
	RM'000	RM'000
Depreciation of non-qualifying plant and equipment	45	183
Gain on disposal of subsidiary	(271)	–
Allowance for impairment on other receivables due from an associate	280	–
Gain on disposal of plant and equipment	2	77

## 8. INCOME TAX (CONT'D)

### 8B. Deferred tax expense (credit) recognised in profit or loss include:

	Group	
	2020	2019
	RM'000	RM'000
Excess of net book value on property, plant and equipment over tax values	(246)	(657)
Unrealised losses (gains) on foreign exchange	27	(94)
Provisions	282	(599)
Tax losses carryforwards	(657)	(936)
Deferred tax assets not recognised	594	1,406
Total deferred tax expense (credit) recognised in profit or loss	–	(880)

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

	Group	
	2020	2019
	RM'000	RM'000
<u>Deferred tax liabilities recognised in profit or loss:</u>		
Excess of net book value on property, plant and equipment over tax values	518	764
Unrealised losses (gains) on foreign exchange	13	(14)
Provisions	(893)	(1,175)
Tax losses carryforwards	(2,124)	(1,467)
Deferred tax assets not recognised	2,659	2,065
Net	173	173

It is impractical to estimate the amount expected to be settled or used within one year.

The group's subsidiaries have accumulated tax losses of RM8,850,000 (2019: RM6,112,000) as at 29 February 2020. In accordance with the relevant tax regulations in Malaysia, tax losses incurred in a financial year can be carried forward for a maximum period of seven years to be offset against future taxable profit. It is not certain whether future taxable profit will be available against the subsidiary's unused tax losses can be utilised. Consequently, a deferred tax asset has not been recognised.

The expiry dates of tax effect of tax losses carryforwards are as follows:

	Group	
	2020	2019
	RM'000	RM'000
2024 and before	292	292
2025	33	33
2026	1,160	1,142
2027	639	–
	2,124	1,467

Temporary differences arising in connection with interests in subsidiaries and associate are insignificant.



# NOTES TO THE FINANCIAL STATEMENTS

29 FEBRUARY 2020

## 9. LOSS PER SHARE

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

	Group	
	2020	2019
	RM'000	RM'000
Numerators: loss attributable to equity:		
Continuing operations: attributable to equity holders	(1,388)	(6,978)
	<b>No. of shares '000</b>	<b>No. of shares '000</b>
Denominators: weighted average number of equity shares:		
Basic and diluted	135,000	135,000

The weighted average number of equity shares refers to shares in circulation during the reporting year.

The basic loss per share ratio is based on the weighted average number of ordinary shares outstanding during the reporting year. There is no dilution of loss per share as there are no dilutive potential ordinary shares outstanding as at the end of the reporting year.

## 10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Leasehold property RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Renovations RM'000	Work-in progress RM'000	Total RM'000
<u>Cost:</u>									
At 1 March 2018	7,214	14,654	1,475	6,169	2,457	15,795	1,551	–	49,315
Additions	–	42	–	441	52	6,180	170	517	7,402
Disposals	–	–	–	–	(106)	(518)	–	–	(624)
Reclassified to held for sale under SFRS(I) 5 (Note 11)	–	–	(1,475)	–	–	–	–	–	(1,475)
Write-offs	–	–	–	(29)	–	(34)	–	–	(63)
At 28 February 2019	7,214	14,696	–	6,581	2,403	21,423	1,721	517	54,555
Additions	–	81	–	373	–	138	874	490	1,956
Disposals	–	–	–	–	–	(146)	–	–	(146)
Disposal of a subsidiary	–	–	–	(530)	(494)	–	(277)	–	(1,301)
Write-offs	–	–	–	(33)	–	(4)	(15)	–	(52)
<b>At 29 February 2020</b>	<b>7,214</b>	<b>14,777</b>	<b>–</b>	<b>6,391</b>	<b>1,909</b>	<b>21,411</b>	<b>2,303</b>	<b>1,007</b>	<b>55,012</b>
<u>Accumulated depreciation:</u>									
At 1 March 2018	–	3,042	73	4,112	1,797	10,789	460	–	20,273
Depreciation for the year	–	294	18	644	253	1,263	154	–	2,626
Disposals	–	–	–	–	(106)	(518)	–	–	(624)
Reclassified to held for sale under SFRS(I) 5 (Note 11)	–	–	(91)	–	–	–	–	–	(91)
Write-offs	–	–	–	(26)	–	(34)	–	–	(60)
At 28 February 2019	–	3,336	–	4,730	1,944	11,500	614	–	22,124
Depreciation for the year	–	294	–	624	182	1,573	190	–	2,863
Disposals	–	–	–	–	–	(126)	–	–	(126)
Disposal of a subsidiary	–	–	–	(367)	(326)	–	(127)	–	(820)
Write-offs	–	–	–	(23)	–	(1)	(5)	–	(29)
<b>At 29 February 2020</b>	<b>–</b>	<b>3,630</b>	<b>–</b>	<b>4,964</b>	<b>1,800</b>	<b>12,946</b>	<b>672</b>	<b>–</b>	<b>24,012</b>
<u>Net carrying value:</u>									
At 1 March 2018	7,214	11,612	1,402	2,057	660	5,006	1,091	–	29,042
At 28 February 2019	7,214	11,360	–	1,851	459	9,923	1,107	517	32,431
<b>At 29 February 2020</b>	<b>7,214</b>	<b>11,147</b>	<b>–</b>	<b>1,427</b>	<b>109</b>	<b>8,465</b>	<b>1,631</b>	<b>1,007</b>	<b>31,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

29 FEBRUARY 2020

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

Allocation of the depreciation expense:

	Group	
	2020	2019
	RM'000	RM'000
Cost of sales	1,765	1,452
Marketing and distribution expenses (Note 6)	144	178
Administrative expenses (Note 6)	954	996
<b>Total</b>	<b>2,863</b>	<b>2,626</b>

(a) Certain items are under finance lease agreements (see Note 23C) and lease liabilities (Note 24).

(b) The net carrying values of property, plant and equipment which have been pledged as securities for banking facilities (see Note 23) are as follows:

	Group	
	2020	2019
	RM'000	RM'000
Freehold land	7,214	7,214
Buildings	11,147	11,360
<b>Total</b>	<b>18,361</b>	<b>18,574</b>

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

	Group	
	2020	2019
	RM'000	RM'000
Furniture and fittings	3,400	2,134
Plant and machinery	9,286	6,024
Motor vehicles	1,431	1,243
Renovations	–	107
<b>Total</b>	<b>14,117</b>	<b>9,508</b>

(d) Details of land:

Description/Location	Tenure	Gross floor area
No. PT 76085 Mukim Kapar, Daerah Klang, Selangor Darul Ehsan. <sup>(i)</sup>	Freehold	184,859 square feet
No. 37, Jalan TSB 2, Taman Perindustrian Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan. <sup>(ii)</sup>	Leasehold	3,003 square feet

<sup>(i)</sup> The fair value of the freehold land and building was measured for fair value in May 2017 to be RM35,000,000 based on the comparison and depreciated replacement cost method to reflect the actual market state and circumstances. The fair value was based on a valuation made by Knight Frank Malaysia Sdn. Bhd., a firm of independent professional valuers. The firm holds a recognised and relevant professional qualification with sufficient recent experience in the location and category of the property being valued. The management is of the opinion that the fair value of the freehold land and building as at 29 February 2020 approximate the fair value determined by the valuer in May 2017.

<sup>(ii)</sup> The leasehold property of office building has been reclassified to asset held for sale under SFRS(I) 5 during the reporting year ended 28 February 2019 (Note 11). The sale has been completed during the reporting year ended 29 February 2020.

## 11. ASSET HELD FOR SALE UNDER SFRS(I) 5

	2020 RM'000	2019 RM'000
Asset held for sale:		
Transfer from leasehold property at net book value (Note 10)	–	1,384
Less: Liability associated with asset held for sale		
Transfer from other financial liabilities (Note 23)	–	(1,036)
Net assets held for sale	–	348

The leasehold property with a carrying amount of RM1,384,000 and its correspondingly liability of RM1,036,000 in relation to the bank loan for the leasehold property was reclassified and presented as held for sale under SFRS(I) 5, following the decision of management to sell the leasehold property in Malaysia during the reporting year ended 28 February 2019. The sale has been completed during the reporting year ended 29 February 2020.

## 12. RIGHT-OF-USE ASSETS

The right-of-use assets have been included in statement of financial position. The details are as follows:

Group	Showrooms RM'000
<u>Cost:</u>	
Adoption of SFRS(I) 16 Leases on 1 March 2019	1,674
<b>At 29 February 2020</b>	<b>1,674</b>
<u>Accumulated depreciation:</u>	
At 1 March 2019	–
Depreciation for the year	512
<b>At 29 February 2020</b>	<b>512</b>
<u>Carrying value:</u>	
At 1 March 2019	1,674
<b>At 29 February 2020</b>	<b>1,162</b>

Other information about the leasing activities relating to the right-of-use assets are summarised as follows:

	Showrooms
Number of right-of-use assets	3
Remaining term – range (years)	2 to 4 years
Remaining term – average (years)	3 years

Management has elected to measure right-of-use assets at the amount of the lease liability on adoption (adjusted for any lease prepayments or accrued lease expenses, onerous lease provisions, and leased assets which have subsequently been sub-leased).

Operating lease payments for the Group are for rentals payable for certain showroom premises.

There are restrictions or covenants imposed by the leases to sublet the asset to another party. The right-of-use asset can only be used by the lessee. Unless permitted by the owner, the lease prohibits from selling or pledging the underlying leased assets as security. Typically the leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Insurance, and maintenance fees on right-of-use assets are usually required under the lease.

For the underlying assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required annually. Impairment loss allowance is provided if it is determined that the right-of-use asset is impaired. The right-of-use asset for operating leases in existence at 1 March 2019 to include initial direct costs.

# NOTES TO THE FINANCIAL STATEMENTS

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## 13. INTANGIBLE ASSET

Group	Development cost RM'000
<u>Cost:</u>	
At 1 March 2018, 28 February 2019 and 29 February 2020	910
<u>Accumulated amortisation and impairment losses:</u>	
At 1 March 2018, 28 February 2019 and 29 February 2020	910
<u>Net carrying value:</u>	
At 1 March 2018, 28 February 2019 and 29 February 2020	–

Development cost relates to the designer fees incurred in relation to the creation of a new luxury system furniture range by an Italian Architectural Firm.

The decreasing performance of the luxury system furniture by an Italian Architectural Firm with the brand of \_AD MAIORA was considered sufficient to trigger the impairment test. The amounts have been fully impaired since the reporting year ended 28 February 2019.

## 14. INVESTMENT IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
At cost:		
Balance at beginning of the year	61,571	61,571
Disposal of a subsidiary (Note 14A)	(714)	–
	60,857	61,571
Allowance for impairment	(347)	(1,061)
Balance at the end of the year	60,510	60,510
Movements in allowance for impairment:		
Balance at beginning of the year	(1,061)	(347)
Impairment loss charged to profit or loss included in other losses <sup>(a)</sup>	–	(714)
Written off on disposal	714	–
Balance at end of the year	(347)	(1,061)

<sup>(a)</sup> During the reporting year ended 28 February 2019, the decreasing performance of a subsidiary was considered sufficient evidence to trigger an impairment test, resulting in an impairment loss amounting to RM714,000 to write down the cost of investment to its recoverable amount.

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

The subsidiaries held by the company are listed below:

Name of subsidiaries, country of incorporation, place of operations and principal activities	Cost in books of the company		Effective percentage of equity held by the company	
	2020 RM'000	2019 RM'000	2020 %	2019 %
Jemaramas Jaya Sdn. Bhd. <sup>(a) (c)</sup> Malaysia Manufacture, marketing and sale of system furniture and other furniture related products	48,043	48,043	100	100
Versalink Marketing Sdn. Bhd. <sup>(a)</sup> Malaysia Marketing and sale of system furniture and other furniture related products	12,037	12,037	100	100
Alca Vstyle Sdn. Bhd. <sup>(a), (d)</sup> Malaysia Trading in all kinds of high pressure laminate and related products	–	714	–	51
Steeltema (M) Sdn. Bhd. <sup>(a)</sup> Malaysia Dormant	500	500	100	100
Versalink Technology Sdn. Bhd. <sup>(a)</sup> Malaysia Dormant	277	277	100	100
Versalink (S) Pte. Ltd. <sup>(b)</sup> Singapore Dormant	–	–	100	100
Versalink System Furniture (S) Pte. Ltd. <sup>(b)</sup> Singapore Marketing and sale of system furniture and other furniture related products	–	–	100	100
<b>Total investment in subsidiaries</b>	<b>60,857</b>	<b>61,571</b>		

#### Notes:

- <sup>(a)</sup> Other independent auditor. Audited by Crowe Malaysia PLT, 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. The cost of investment is less than RM1,000.
- <sup>(c)</sup> Included in the amount for the reporting years ended 29 February 2020 and 28 February 2019 is a quasi-equity loan of RM15,942,000.
- <sup>(d)</sup> On 22 November 2019, the group disposed 17% of its equity interest in the share capital of Alca Vstyle Sdn. Bhd. ("Alca Vstyle"), a 51% owned subsidiary. See Note 14A.

As required by Rule 716 of the Catalist 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

### 14A. Disposal of a subsidiary

The group deconsolidated its subsidiary, Alca Vstyle on 1 December 2019. The group's equity interest reduced from 51% to 34%. The gain on disposal is included in profit or loss. The retained interest in the investee is accounted for in accordance with FRS 28 as an associate whose fair value at the date of disposal was RM340,000, which was determined using on a willing buyer and willing seller basis.

The results for the reporting year from disposal of the subsidiary and the results for the previous reporting year and for the period from the beginning of the reporting year to 30 November 2019, which have been included in the consolidated financial statements, were as follows:

	Group	
	2020 RM'000	2019 RM'000
Revenue	8,235	9,675
Expenses	(8,432)	(12,455)
Other gains	470	144
Profit (loss) before income tax	273	(2,636)
Income tax expense	—	(15)
Profit (loss) after income tax	273	(2,651)
Profit (loss), net of tax attributable to:		
- owners of the company	139	(1,352)
- non-controlling interests	134	(1,299)
	273	(2,651)

The following table is a summary of the carrying value of the assets and liabilities of the subsidiary at the date when the control is lost:

	As at date of disposal in 2020 RM'000	At end of last year 2019 RM'000
Cash and cash equivalents	214	142
Trade and other receivables	2,924	2,173
Property, plant and equipment	481	502
Asset held for sale	1,385	1,259
Inventories	4,189	3,438
Other assets	269	122
Trade and other payables	(7,967)	(6,623)
Other financial liabilities	(2,364)	(2,280)
Net carrying amount of liabilities	(869)	(1,267)
Non-controlling interests	317	
Net liabilities deconsolidated	(552)	
Gain on disposal (Note 5)	1,130	
Fair value of remaining shareholding on the date when the control is lost	578	
Less: transfer to investment in associate	(340)	
Total cash consideration	238	

A net gain on disposal of RM1,130,000 from the de-consolidation being the consideration receivable on disposal less the carrying amount of the subsidiary's net assets. No tax charge or credit arose from the transaction. The subsidiary's unaudited financial statements as at 1 December 2019 were used to determine the above gain on disposal of the subsidiary.



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

### 14A. Disposal of a subsidiary (cont'd)

An analysis of the net cash inflow of cash and cash equivalents in respect of the disposal of a subsidiary was as follows:

	As at date of disposal in 2020 RM'000
Cash consideration	238
Cash and cash equivalents disposed of	(214)
Net cash inflow	24

## 15. INVESTMENT IN ASSOCIATE

	Group 2020 RM'000	2019 RM'000
Movements in carrying value:		
Balance at beginning of the year	–	–
Addition (Note 14A)	340	–
Share of loss	(70)	–
	270	–
Allowance for impairment	(270)	–
Balance at end of year	–	–
Share of net book value of associate	(425)	–
Movements in allowance for impairment:		
Balance at beginning of the year	–	–
Impairment loss charged to profit or loss included in other losses (Note 5)	(270)	–
Balance at end of the year	(270)	–

- (a) During the reporting year ended 29 February 2020, the decreasing performance of the associate was considered sufficient evidence to trigger an impairment test, resulting in an impairment loss amounting to RM270,000 to write down the cost of investment to its recoverable amount.

Name of associate, country of incorporation, place of operations and principal activities	Effective percentage of equity held by the Group 2020 %	2019 %
Alca Vstyle Sdn. Bhd. <sup>(a)</sup> Malaysia Trading in all kinds of high pressure laminate and related products	34	–

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 15. INVESTMENT IN ASSOCIATE (CONT'D)

The associate is considered not material to the reporting entity. The summarised financial information of the non-material associate and the aggregate amounts (and not the reporting entity's share of those amounts) based on the financial statements of the associate is as follows. These are adjusted to reflect adjustments made by the reporting entity when using the equity method.

	2020 RM'000	2019 RM'000
Loss, net of income tax	(205)	–
Total comprehensive loss	(205)	–
Net liabilities of the associate	(926)	–

## 16. INVENTORIES

	Group	
	2020 RM'000	2019 RM'000
Raw materials	9,867	8,367
Work-in-progress	165	110
Finished goods	2,699	5,293
Total inventories	12,731	13,770
Inventories are stated after allowance. Movements in allowance:		
Balance at beginning of the year	2,168	1,927
Disposal of a subsidiary	(111)	–
Charged to profit or loss included in cost of sales	142	241
Balance at end of the year	2,199	2,168
The write-down of inventories charged to profit or loss included in cost of sales	142	241
Changes in inventories of finished goods and work-in-progress decrease	(2,539)	(477)
The amount of inventories included in cost of sales	23,830	24,431

There are no inventories pledged as security for liabilities.

## 17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Trade receivables:</u>				
Outside parties	3,836	9,246	–	–
Less allowance for impairment:				
– collectively impaired	(317)	(276)	–	–
– individually impaired	(35)	(4,377)	–	–
Subsidiaries	–	–	3,092	2,400
Net trade receivables – subtotal	3,484	4,593	3,092	2,400
<u>Other receivables:</u>				
Subsidiaries (Note 3C)	–	–	4,759	5,620
Associate (Note 3C) <sup>(a), (b)</sup>	3,921	–	493	–
Less allowance for impairment:				
– individually impaired	(1,168)	–	–	–
Net other receivables – subtotal	2,753	–	5,252	5,620
Total trade and other receivables	6,237	4,593	8,344	8,020
Presented in statement of financial positions:				
Non-current	2,055	–	278	493
Current	4,182	4,593	8,066	7,527
	6,237	4,593	8,344	8,020

(a) The loan receivable from the associate amounting to RM493,000 which is unsecured, is repayable by 60 instalments of approximately RM21,000 per month commencing from 1 May 2017 to 1 April 2022 and bears a fixed interest of 9.7% per annum.

(b) Includes loan receivable from the associate amounting to RM3,428,000 which is unsecured, repayable by 36 instalments of approximately RM103,000 per month commencing from 1 July 2020 to 1 June 2023 and bears a fixed interest of 5.0% per annum (or 5.0% on the impaired amount).

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Movements in above allowance:</u>				
Balance at beginning of the year	4,653	589	–	–
Effect on adoption of SFRS(I) 9 (Note 30)	–	543	–	–
Allowance for impairment on trade receivables:				
– collectively impaired (Note 5)	41	–	–	–
– individually impaired (Note 5)	–	3,800	–	–
Allowance for impairment on other receivables due from associate:				
– individually impaired (Note 5)	1,168	–	–	–
Reversal of allowance for impairment on trade receivables:				
– collectively impaired (Note 5)	–	(267)	–	–
– individually impaired (Note 5)	(3,286)	–	–	–
Disposal of subsidiary	(1,023)	–	–	–
Write-off	(33)	(12)	–	–
Balance at end of the year	1,520	4,653	–	–

# NOTES TO THE FINANCIAL STATEMENTS

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## 17. TRADE AND OTHER RECEIVABLES (CONT'D)

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Loan receivable from Alca Vstyle</u>				
Movements during the year – at cost:				
Balance at beginning of the year from subsidiary <sup>(a)</sup>	527	–	688	883
Reclassified from subsidiary/related company to associate <sup>(b)</sup>	3,539	–	–	–
Interest income	45	–	60	76
Repayment	(190)	–	(255)	(271)
Balance at end of the year	3,921	–	493	688

<sup>(a)</sup> For the financial reporting year ended 28 February 2019, includes a loan receivable from a former subsidiary - Alca Vstyle amounting to RM688,000. The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

<sup>(b)</sup> Prior to the disposal of Alca Vstyle (as disclosed in Note 14A), the balance from Alca Vstyle was recorded as receivables due from subsidiary/related company. Following the disposal, the balances were reclassified to amount due from associate. Accordingly, an allowance for impairment of RM1,168,000 was recognised in the profit and loss included under other losses (Note 5) during the reporting year ended 29 February 2020.

As the group and company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

### (i) Concentration of credit risk

There is a significant concentration of credit risk with respect to trade receivables as the exposure is spread over a few number of counter-parties and customers.

### (ii) Credit risk exposure

The group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk for trade receivables by countries at the end of the reporting period, approximately:

- 80% (2019: 80%) of the group's trade receivables from Malaysia.
- 20% (2019: 20%) of the group's trade receivables from other countries.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

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 90 days (2019: 30 to 90 days). But some customers take a longer period to settle the amounts.

## 17. TRADE AND OTHER RECEIVABLES (CONT'D)

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

	Group	
	2020	2019
	RM'000	RM'000
<u>Trade receivables:</u>		
Less than 3 months	1,530	1,826
3 to 6 months	165	689
Over 6 months	735	36
Total	2,430	2,551

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

	Group	
	2020	2019
	RM'000	RM'000
<u>Trade receivables:</u>		
Over 6 months	169	4,377

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling RM169,000 (2019 : RM4,377,000) of the group that are determined to be impaired at the end of the reporting year. These are not secured.

### Expected credit losses

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. For those with common characteristics the allowance matrix is based on its historical observed default rates (over a period of 12 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates.

At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The loss allowance was determined as follows for trade receivables:

	Gross amount		Expected loss rate		Loss allowance	
	2020	2019	2020	2019	2020	2019
	RM'000	RM'000	%	%	RM'000	RM'000
1 to 30 days past due	2,004	6	0.26	0.27	5	–
31 to 60 days past due	758	2,304	0.77	0.80	6	18
61 to 90 days past due	165	1,485	1.29	1.33	2	20
91 to 120 days past due	78	247	1.80	1.87	1	9
121 to 150 days past due	25	95	2.31	2.40	1	2
151 days to 1 year past due	632	689	25.72	26.70	163	184
Over 1 year past due	139	43	100.00	100.00	139	43
Total	3,801	4,869			317	276

# NOTES TO THE FINANCIAL STATEMENTS

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## 17. TRADE AND OTHER RECEIVABLES (CONT'D)

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

To determine whether a financial instrument has low credit risk, management uses its internal credit risk ratings (such as external rating of "investment grade" of a financial instrument) or other methodologies that are consistent with a globally understood definition of low credit risk (such as market participant perspective taking into account all of the terms and conditions of the financial instrument).

The loss allowance as at 1 March 2018 was RM543,000. There was additional loss allowance of RM543,000 recognised upon the initial application under the standard on financial instruments. This is from a change in the measurement attribute of the loss allowance relating to the financial asset.

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

	Group	
	2020 RM'000	2019 RM'000
Top 1 customer	727	2,980
Top 2 customers	1,145	3,806
Top 3 customers	1,355	4,583

The other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. Other receivables are normally with no fixed terms and therefore there is no maturity. Related company receivables are regarded as of low credit risk if they are guaranteed with the ability to settle the amount. Other receivables are regarded as of low credit risk if they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk. At the end of the first reporting period a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition.

## 18. OTHER NON-FINANCIAL ASSETS

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Advance payments on purchases of inventories	378	1,165	–	–
Deposits to secure services	278	389	–	–
Prepayments	552	553	32	32
Tax recoverable	274	1,938	–	–
Total other assets	1,482	4,045	32	32

## 19. OTHER FINANCIAL ASSETS

		Group	
	Level	2020	2019
		RM'000	RM'000
<u>Financial assets at fair value through profit or loss:</u>			
Money market funds and other fixed income investments			
Country: Malaysia	1	3,376	2,801
Movement during the year:			
Fair value at beginning of the year		2,801	6,264
Additions		2,075	2,137
Redemptions		(1,500)	(5,600)
Fair value at end of the year		3,376	2,801

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 are 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. The change in fair value is not significant.

At the end of the reporting year, the financial assets bore an effective interest rate that ranged between 3.28% to 3.63% (2019: 3.27% to 3.66%) per annum. The interest income from asset at fair value is RM75,000 (2019: RM137,000) and is not subject to tax.



# NOTES TO THE FINANCIAL STATEMENTS

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## 20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Not restricted in use	5,143	5,276	176	55
Restricted in use <sup>(a)</sup>	942	914	–	–
Total cash and cash equivalents	6,085	6,190	176	55
Interest earning balances	942	914	–	–

<sup>(a)</sup> This is for fixed deposits held by a banker to cover the bank facilities granted to the group (see Note 23).

The rates of interest for the cash on interest earning balances is ranged between 2.60% to 3.00% per annum (2019: 3.15% to 3.25%), and for a tenor of one to twelve months.

### 20A. Cash and cash equivalents in the consolidated statement of cash flows:

	Group	
	2020	2019
	RM'000	RM'000
Amount as shown above	6,085	6,190
Cash pledged for bank facilities	(942)	(914)
Bank overdrafts (Note 24)	(463)	(886)
Cash and cash equivalents at end of the year	4,680	4,390

### 20B. Reconciliation of liabilities arising from financing activities:

	2019	Cash flows	Non-cash changes	2020
	RM'000	RM'000	RM'000	RM'000
<u>At 29 February 2020:</u>				
Other financial liabilities	2,499	731	(1,772)	1,458
Liability of a disposal group classified as held for sale (Note 11)	1,036	–	(1,036)	–
Bank overdrafts (Note 23)	(886)	–	423	(463)
Lease liabilities (Note 24)	–	(572)	1,762	1,190
Net	2,649	159	(623)	2,185
<u>At 28 February 2019:</u>				
Other financial liabilities	3,716	(444)	(773)	2,499
Liability of a disposal group classified as held for sale (Note 11)	–	–	1,036	1,036
Bank overdrafts (Note 23)	(623)	–	(263)	(886)
Net	3,093	(444)	–	2,649

## 21. SHARE CAPITAL

	Group and Company Number of shares issued '000	Share capital RM'000
<u>Ordinary shares of no par value:</u>		
Balance at 1 March 2018, 28 February 2019 and 29 February 2020	135,000	62,513

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.

### Capital management:

In order to maintain its listing on the Singapore Stock Exchange, it 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.

## 22. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Trade payables:</u>				
Outside parties	3,040	4,264	–	–
Trade payables – subtotal	3,040	4,264	–	–
<u>Other payables:</u>				
Outside parties and accrued liabilities	2,320	2,504	298	298
Deposits received from customers (a)	1,012	936	–	–
Other payables – subtotal	3,332	3,440	298	298
Total trade and other payables	6,372	7,704	298	298
(a) Transaction price allocated to the remaining performance obligations: The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting year: Expected to be recognised within 1 year	1,012	936	–	–
At the end of the year	1,012	936	–	–

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## 23. OTHER FINANCIAL LIABILITIES

	Group	
	2020	2019
	RM'000	RM'000
<u>Non-current:</u>		
<u>Financial instruments with floating interest rates:</u>		
Bank loan C (unsecured) (Note 23B)	–	85
Total non-current	–	85
<u>Financial instruments with fixed interest rates:</u>		
Finance lease payable (Note 23C)	–	201
Total non-current	–	286
<u>Current:</u>		
<u>Financial instruments with floating interest rates:</u>		
Bankers' acceptance (secured) (Note 23A)	804	782
Bankers' acceptance (unsecured) (Note 23B)	191	401
Bank loan A (secured) (Note 23A)	–	1,036
Bank loan B (unsecured) (Note 23B)	–	35
Bank loan C (unsecured) (Note 23B)	–	83
Bank overdrafts (secured) (Notes 20A and 23A)	463	569
Bank overdrafts (unsecured) (Notes 20A and 23B)	–	317
Subtotal	1,458	3,223
Less: Reclassified to liabilities held for sale under SFRS(I) 5 – bank loan B (Note 23A)	–	(1,036)
Total other financial liabilities	1,458	2,187
<u>Financial instruments with fixed interest rates:</u>		
Finance lease payable (Note 23C)	–	26
Total current	1,458	2,213
Total other financial liabilities	1,458	2,499
The non-current portion is repayable as follows:		
Due within 2 to 5 years	–	85
Total non-current portion	–	85

The range of floating rate interest rates paid was as follows:

	2020	Group	2019
Bank loans	–	4.61% to 12.50%	
Bank overdrafts	8.03%	8.21% to 8.32%	
Bankers' acceptance	4.49% to 5.61%	4.09% to 5.58%	

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

### 23A. Bank loan A and bankers' acceptance (secured)

The bank agreements for certain of the bank loans 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 10;
- (b) Leasehold land and building as disclosed in Note 10 was reclassified to asset held for sales under SFRS(I) 5 (Note 11);
- (c) Joint and several guarantees by the non-controlling shareholders of a subsidiary;
- (d) Corporate guarantee for RM1,900,000 executed by Versalink Marketing Sdn. Bhd. to Jemaramas Jaya Sdn. Bhd.; and
- (e) Pledged of fixed deposits (Note 20).

The repayment terms of the secured bank loans are as follows:

Bank loan A is a RM1,147,500 term loan repayable by 300 equal monthly installments of RM6,500, commencing from January 2015 to May 2040. This loan has been reclassified to liabilities associated to assets held for sale (Note 11).

### 23B. Bank loans B and C, bank overdrafts and bankers' acceptance (unsecured)

The bank agreements for certain of the bank loans, overdrafts and bankers' acceptance are covered by joint and several guarantees by the non-controlling shareholders of a subsidiary.

The repayment terms of the unsecured bank loans are as follows:

- (a) Bank loan B is a RM200,000 term loan repayable by 60 equal monthly installments of RM4,500, commencing from December 2014 to October 2019 and the amounts are fully repaid during the reporting year; and
- (b) Bank loan C is a RM500,000 term loan repayable by 84 equal monthly installments of RM8,000, commencing from February 2014 to February 2021.

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. The carrying amount is a reasonable approximation of fair value (Level 2).

### 23C. Finance lease liabilities

As at 28 February 2019, the group and company lease certain motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the group with options to purchase the leased assets at nominal values at the end of the lease term.

Finance lease liabilities were reclassified to lease liabilities (Note 24) on 1 March 2019 upon the adoption of SFRS(I) 16.

A summary of the maturity analysis of finance lease liabilities that shows the remaining contractual maturities was as follows:

2019	Minimum payments RM'000	Finance charges RM'000	Present value RM'000
Minimum lease payments payable:			
Due within one year	44	(18)	26
Due within 2 to 5 years	223	(22)	201
Total	267	(40)	227
Net carrying value of plant and equipment under finance leases			213

All leases are on fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance lease liabilities are secured by the lessors' charge over the leased assets.

# NOTES TO THE FINANCIAL STATEMENTS

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## 24. LEASE LIABILITIES

Lease liabilities are presented in the statement of financial position as follows:

Group	2020 RM'000
Lease liabilities, current	509
Lease liabilities, non-current	681
	<b>1,190</b>

Movement of lease liabilities for the reporting year are as follows:

Total lease liabilities recognised at 1 March 2019	1,235
Reasonably certain extension options	667
Interest on lease liabilities	67
Lease payments – principal portion paid	(572)
Finance lease liability – disposal of subsidiary	(207)
Total lease liabilities at end of reporting year	<b>1,190</b>

The new standard on leases has been applied using the modified retrospective transition approach. Therefore no comparative amounts for the year ended 29 February 2020 are presented.

The lease liability above does not include the short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liability and the right-of-use assets. The right-of-use assets are disclosed in Note 12.

On transition to the new standard on leases the weighted average incremental borrowing rate applied to lease liabilities recognised was 4.76% per annum.

Reconciliation of lease commitments and lease liability at the date of initial application:

	2020 RM'000
Operating lease commitments as at 28 February 2019	1,107
Additions	168
Less: Associate's lease commitment	(221)
Subtotal	1,054
Discounted using incremental borrowing rate	(46)
Operating lease liabilities, net	1,008
Add: Finance lease liabilities recognised as at 28 February 2019 (Note 23C)	227
Total lease liabilities recognised at 1 March 2019	<b>1,235</b>

## 24. LEASE LIABILITIES (CONT'D)

A summary of the maturity analysis of lease liabilities that shows the remaining contractual maturities is as follows:

2020	Minimum payments RM'000	Finance charges RM'000	Present value RM'000
Minimum lease payments payable:			
Not later than one year	552	(43)	509
Due within 2 to 3 years	453	(21)	432
Due within 3 to 4 years	252	(3)	249
Total	1,257	(67)	1,190
Net book value of right-of-use assets under lease liabilities			1,162

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:

	2020	Group 2019
Average lease term, in years	3	5
Average effective borrowing rate per year	4.76%	4.45% to 5.67%

The total for finance leases and the average effective borrowing rate per year is disclosed above. The fair value (Level 2) is a reasonable approximation of the carrying amount. The fair value of the finance leases was estimated by discounting future cash flows payable under the terms of the finance leases using the year-end interest rate 4.76% (2019: 4.45% to 5.67%) per annum.

## 25. CAPITAL COMMITMENTS

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group 2020 RM'000	2019 RM'000
Commitment to purchase of plant and equipment	411	571

# NOTES TO THE FINANCIAL STATEMENTS

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## 26. FINANCIAL INFORMATION BY OPERATING SEGMENTS

### 26A. 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 SFRS(I) 8 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.

### 26B. Profit or loss from continuing operations and reconciliations

	Export RM'000	Domestic RM'000	Group RM'000
<b>Continuing operations 2020</b>			
<b>Revenue by segment</b>			
Total revenue by segment	37,173	18,630	55,803
Inter-segment sales	(6,150)	(296)	(6,446)
<b>Total revenue</b>	<b>31,023</b>	<b>18,334</b>	<b>49,357</b>
<b>Cost of sales by segment</b>			
Total cost of sales by segment	(30,797)	(12,799)	(43,596)
Inter-segment cost of sales	6,139	295	6,434
<b>Total cost of sales</b>	<b>(24,658)</b>	<b>(12,504)</b>	<b>(37,162)</b>
<b>Gross profit</b>	<b>6,365</b>	<b>5,830</b>	<b>12,195</b>
<b>Recurring EBITDA</b>			<b>2,389</b>
Interest income			157
Finance costs			(313)
Depreciation and amortisation			(3,375)
Share of loss from associate			(70)
Loss before tax from continuing operations			(1,212)
Income tax expense			(42)
<b>Loss from continuing operations</b>			<b>(1,254)</b>

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

### 26B. Profit or loss from continuing operations and reconciliations (cont'd)

	Export RM'000	Domestic RM'000	Group RM'000
<b>Continuing operations 2019</b>			
<b>Revenue by segment</b>			
Total revenue by segment	38,108	21,761	59,869
Inter-segment sales	(7,765)	(1,359)	(9,124)
<b>Total revenue</b>	<b>30,343</b>	<b>20,402</b>	<b>50,745</b>
<b>Cost of sales by segment</b>			
Total cost of sales by segment	(31,739)	(15,210)	(46,949)
Inter-segment cost of sales	7,768	323	8,091
<b>Total cost of sales</b>	<b>(23,971)</b>	<b>(14,887)</b>	<b>(38,858)</b>
<b>Gross profit</b>	<b>6,372</b>	<b>5,515</b>	<b>11,887</b>
<b>Recurring EBITDA</b>			(6,321)
Interest income			183
Finance costs			(353)
Depreciation and amortisation			(2,626)
Loss before tax from continuing operations			(9,117)
Income tax credit			840
<b>Loss from continuing operations</b>			<b>(8,277)</b>

### 26C. Assets and reconciliations

	Export RM'000	Domestic RM'000	Unallocated RM'000	Group RM'000
<u>2020</u>				
Total assets for reportable segments	49,158	11,270	69,064	129,492
Elimination of inter-segment receivables	1,001	(59)	(68,361)	(67,419)
<b>Total group assets</b>	<b>50,159</b>	<b>11,211</b>	<b>703</b>	<b>62,073</b>
<u>2019</u>				
Total assets for reportable segments	49,261	18,533	68,620	136,414
Elimination of inter-segment receivables	(3,451)	572	(68,321)	(71,200)
<b>Total group assets</b>	<b>45,810</b>	<b>19,105</b>	<b>299</b>	<b>65,214</b>



# NOTES TO THE FINANCIAL STATEMENTS

29 FEBRUARY 2020

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

### 26D. Liabilities and reconciliations

	Export RM'000	Domestic RM'000	Unallocated RM'000	Group RM'000
<u>2020</u>				
Total liabilities for reportable segments	9,371	8,394	435	18,200
Elimination of inter-segment payables	(2,949)	(6,080)	(132)	(9,161)
Unallocated:				
Deferred tax liabilities	–	–	173	173
<b>Total group liabilities</b>	<b>6,422</b>	<b>2,314</b>	<b>476</b>	<b>9,212</b>
<u>2019</u>				
Total liabilities for reportable segments	7,131	16,285	414	23,830
Elimination of inter-segment payables	(2,654)	(9,812)	(121)	(12,587)
Unallocated:				
Deferred tax liabilities	–	–	173	173
<b>Total group liabilities</b>	<b>4,477</b>	<b>6,473</b>	<b>466</b>	<b>11,416</b>

### 26E. Other material items and reconciliations

	Export RM'000	Domestic RM'000	Group RM'000
<b>Capital expenditure for non-current assets:</b>			
2020	1,334	622	1,956
2019	7,138	264	7,402
<b>Allowance for impairment loss on inventory obsolescence, net:</b>			
2020	142	–	142
2019	159	82	241
<b>(Reversal) allowance for impairment loss on trade receivables:</b>			
2020	–	(3,245)	(3,245)
2019	(12)	3,545	3,533

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

### 26F. Geographical information

Revenue based on geographical locations of customers is as follows:

	2020 RM'000	2019 RM'000
<b>Revenue:</b>		
Malaysia	18,334	20,402
Middle East	6,890	8,500
North America	10,508	10,710
Asia	1,812	2,105
Singapore	595	1,250
Others	11,218	7,778
Consolidated revenue	49,357	50,745

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

### 26G. Information about major customers

	2020 RM'000	2019 RM'000
Top 1 customer in more than one segment	8,336	6,861
Top 2 customers in more than one segment	14,261	10,923
Top 3 customers in more than one segment	18,703	14,970

## 27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

### 27A. 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		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Financial assets:</b>				
Financial assets at amortised cost	12,322	10,783	8,520	8,075
Financial assets at fair value through profit or loss (FVTPL)	3,376	2,801	–	–
At end of the year	15,698	13,584	8,520	8,075
<b>Financial liabilities:</b>				
Financial liabilities at amortised cost	8,008	10,303	298	298
At end of the year	8,008	10,303	298	298

Further quantitative disclosures are included throughout these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

29 FEBRUARY 2020

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

### 27B. 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.

### 27C. 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.

### 27D. 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. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (ECL) on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 20 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

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

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

### 27E. Liquidity risk – financial liabilities maturity analysis

The following table analyses non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

Group	Less than one year RM'000	Two to three years RM'000	Three to Four years RM'000	Total RM'000
<u>29 February 2020:</u>				
<u>Non-derivative financial liabilities:</u>				
Trade and other payables	5,360	–	–	5,360
Gross borrowing commitments	1,531	–	–	1,531
Gross lease liabilities	552	453	252	1,257
At end of the year	7,443	453	252	8,148
<u>28 February 2019:</u>				
<u>Non-derivative financial liabilities:</u>				
Trade and other payables	6,768	–	–	6,768
Gross borrowing commitments	3,384	89	–	3,473
Gross finance lease obligations	44	223	–	267
At end of the year	10,196	312	–	10,508

	Company	
	2020	2019
	RM'000	RM'000
<u>Less than one year</u>		
<u>Non-derivative financial liabilities:</u>		
Trade and other payables	298	298

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 (2019: 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.

# NOTES TO THE FINANCIAL STATEMENTS

29 FEBRUARY 2020

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

### 27E. Liquidity risk – financial liabilities maturity analysis (cont'd)

#### Bank facilities:

	Group	
	2020	2019
	RM'000	RM'000
Undrawn borrowing facilities	16,068	16,554

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.

### 27F. 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		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Financial liabilities with interest:</u>				
Fixed rates	1,190	227	–	–
Floating rates	1,458	2,272	–	–
Total at end of the year	2,648	2,499	–	–
<u>Financial assets with interest:</u>				
Fixed rates	4,863	929	493	749
Floating rates	3,376	2,801	–	–
Total at end of the year	8,239	3,730	493	749

The interest rates are disclosed in Notes 17, 19, 20 and 23.

#### Sensitivity analysis:

	Group	
	2020	2019
	RM'000	RM'000
<u>Financial liabilities:</u>		
A hypothetical variation in interest rates by 100 basis points with all other variables held constant, would have an increase in pre-tax loss for the year by	146	227
<u>Financial assets:</u>		
A hypothetical variation in interest rates by 100 basis points with all other variables held constant, would have a decrease in pre-tax loss for the year by	(338)	(280)

The analysis has been performed for fixed interest rate and floating interest rate over a year for financial instruments. The impact of a change in interest rates on fixed interest rate financial instruments has been assessed in terms of changing of their fair value. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on profit or loss. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

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

### 27G. Foreign currency risks

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of amounts denominated in non-functional currencies:

Group	Singapore Dollar RM'000	United States Dollar RM'000	Thai Baht RM'000	Chinese Renminbi RM'000	Total RM'000
<u>29 February 2020</u>					
<u>Financial assets:</u>					
Cash and bank balances	18	1,799	–	–	1,817
Trade and other receivables	48	1,136	–	–	1,184
Total financial assets	66	2,935	–	–	3,001
<u>Financial liabilities:</u>					
Trade and other payables	–	–	(616)	–	(616)
Total financial liabilities	–	–	(616)	–	(616)
Net financial assets (liabilities) at end of the year	66	2,935	(616)	–	2,385
<u>28 February 2019:</u>					
<u>Financial assets:</u>					
Cash and bank balances	133	1,218	–	–	1,351
Trade and other receivables	63	78	–	–	141
Total financial assets	196	1,296	–	–	1,492
<u>Financial liabilities:</u>					
Trade and other payables	–	(2,327)	(160)	(266)	(2,753)
Total financial liabilities	–	(2,327)	(160)	(266)	(2,753)
Net financial assets (liabilities) at end of the year	196	(1,031)	(160)	(266)	(1,261)

# NOTES TO THE FINANCIAL STATEMENTS

29 FEBRUARY 2020

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

### 27G. Foreign currency risks (cont'd)

Company	Singapore Dollar	
	2020 RM'000	2019 RM'000
<u>Financial assets:</u>		
Cash and bank balances	176	55
Trade and other receivables	148	137
Total financial assets	324	192
<u>Financial liabilities:</u>		
Trade and other payables	(298)	(298)
Total financial liabilities	(298)	(298)
Net financial assets (liabilities) at end of the year	26	(106)

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

Sensitivity analysis:

	Group	
	2020 RM'000	2019 RM'000
A hypothetical 10% increase in the exchange rate of the functional currency RM against Singapore dollar would have an adverse effect on loss before tax of	(7)	(20)
A hypothetical 10% increase in the exchange rate of the functional currency RM against US dollar would have an (adverse) favourable effect on loss before tax of	(294)	103
A hypothetical 10% increase in the exchange rate of the functional currency RM against Thai Baht would have a favourable effect on loss before tax of	62	16
A hypothetical 10% increase in the exchange rate of the functional currency RM against Chinese Renminbi would have a favourable effect on loss before tax of	–	27
	Company	
	2020 RM'000	2019 RM'000
A hypothetical 10% increase in the exchange rate of the functional currency RM against Singapore dollar would have an (adverse) favourable effect on loss before tax of	(3)	11

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.

## 28. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Adoption of the applicable new or revised standards has resulted in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and measurement as disclosed in Notes 12 and 24.

<u>SFRS (I) No.</u>	<u>Title</u>
SFRS (I) 16	Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards)
SFRS (I) 1-28	Amendments to Long-term Interests in Associates and Joint Ventures
SFRS (I) 1-12	Improvements (2017) – Amendments: Income Taxes
SFRS (I) 1-23	Improvements (2017) – Amendments: Borrowing Costs
SFRS (I) 3	Improvements (2017) – Amendments: Business Combinations
SFRS (I) 11	Improvements (2017) – Amendments: Joint Arrangements

## 29. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

For the future reporting years certain new or revised financial reporting standards 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 any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the entity's financial statements in the period of initial application.

<u>SFRS (I) No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
SFRS (I) 3	Definition of a Business – Amendments	1 January 2020
SFRS (I) 1-1 and 1-8	Definition of Material – Amendments to The Conceptual Framework for Financial Reporting	1 January 2020
SFRS (I) 10 and SFRS (I) 1-28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	Not fixed yet
SFRS (I) 16	Amendment to SFRS (I) 16: COVID-19 Related Rent Concessions	1 June 2020

## 30. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVE FIGURES

Effective from beginning of reporting year ended 28 February 2019, certain new or revised financial reporting standards were adopted. Adoption SFRS(I) 9 from 1 March 2018 had resulted in some changes in the application of the accounting policies and some modifications to financial statements presentation for reporting year ended 28 February 2019.

The application of SFRS(I) 9 impairment requirements at 1 March 2018 results in additional allowances for impairment trade receivables as follows:

	<b>Group 2019 RM'000</b>
Loss allowance at 28 February 2018 under FRS 39	589
Additional impairment recognised at 1 March 2017 on trade receivables as at 1 March 2018	543
Loss allowance at 1 March 2018 under SFRS(I) 9	1,132

Additional information about how the group and the company measure the allowance for impairment is described in Note 17.



# STATISTICS OF SHAREHOLDINGS

AS AT 15 JULY 2020

## 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
Number of subsidiary holdings	:	Nil

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	9	5.70	6,100	0.00
1,001 – 10,000	53	33.54	331,400	0.25
10,001 – 1,000,000	81	51.27	5,941,700	4.40
1,000,001 AND ABOVE	15	9.49	128,720,800	95.35
<b>TOTAL</b>	<b>158</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 15 July 2020, approximately 22.11% 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.	Law Boon Seng	20,365,100	15.09
2.	Lee Yuet Chin	18,363,500	13.60
3.	Law Pei Ling	15,464,000	11.45
4.	Law Kian Guan (Liu Jianyuan)	15,464,000	11.45
5.	Law Kian Siong	15,464,000	11.45
6.	Law Kian Hong	12,564,500	9.31
7.	CGS-CIMB Securities (Singapore) Pte. Ltd.	11,246,000	8.33
8.	BNP Paribas Nominees Singapore Pte. Ltd.	5,000,000	3.70
9.	Gan Hsiao Ping Calvin (Yan Xiaobin Calvin)	3,558,900	2.64
10.	Gan Kim Cho @Gan Kim Chor	2,873,600	2.13
11.	OCBC Securities Private Limited	2,691,300	1.99
12.	Yeo Khee Seng Benny	2,190,600	1.62
13.	Lim Chye Huat @ Bobby Lim Chye Huat	1,360,000	1.01
14.	Kek Chin Wu	1,075,000	0.80
15.	Chan Sin Keng	1,040,300	0.77
16.	Chun Kwong Pong	595,000	0.44
17.	Leow Kar Ping	530,000	0.39
18.	Phillip Securities Pte Ltd	410,000	0.30
19.	Ho Yew Ming Or Wong Phooi Yee	360,000	0.27
20.	Seow Kui Lim	300,000	0.22
<b>TOTAL</b>		<b>130,915,800</b>	<b>96.96</b>

**SUBSTANTIAL SHAREHOLDERS AS AT 15 JULY 2020**  
**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	20,365,100	–	20,365,100	15.09
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 convened and held by way of electronic means on 26 August 2020 at 2.00 p.m. 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 2020 together with the Auditors' Report thereon. **Resolution 1**
2. To approve the Directors' fees of S\$107,000 for the financial year ended 29 February 2020. **Resolution 2**
3. To re-elect Law Pei Ling, who is retiring in accordance with Article 114 of the Company's Constitution, as a Director of the Company. **Resolution 3**
4. To note the retirement of Chow Wen Kwan, a Director of the Company who is retiring in accordance with Article 114 of the Company's Constitution and who is not seeking re-election.

Mr Chow Wen Kwan will, upon retirement as a Director of the Company, be relinquishing his position as Independent Director of the Board, Chairman of the Nominating Committee and as a member of the Audit Committee and Remuneration Committee.

5. To re-appoint RSM Chio Lim LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 4**

### AS SPECIAL BUSINESS

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

6. Authority to allot and issue shares **Resolution 5**
  - (a) "That pursuant to Section 161 of the Companies Act, Cap. 50. ("Companies Act") and Rule 806 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules"), authority be and is hereby given to the Directors of the Company to:
    - (i) allot and issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or
    - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to, the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

(b) provided that:

- (i) the aggregate number of Shares to be issued pursuant to Resolution 6 (including Shares to be issued in pursuance of the Instruments made or granted pursuant to Resolution 6) does not exceed 100 per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of the Instruments made or granted pursuant to Resolution 6) does not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (ii) below); and
- (ii) (subject to such manner of calculations as may be prescribed or directed by the SGX-ST), for the purpose of determining the aggregate number of Shares (including Shares to be issued pursuant to the Instruments) that may be issued under sub-paragraph (i) above, the percentage of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of Resolution 6 after adjusting for :–
  - a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities;
  - b) new Shares arising from exercising share options or vesting of share awards, provided that such share options or share 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;

Adjustments in accordance with the above 7(b)(ii)(a) or 7(b)(ii)(b) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of the resolution approving the mandate.

- (iii) in exercising the authority conferred by this Resolution 6, the Company shall comply with the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and the Company's Constitution; and
- (iv) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution 6 shall continue in force until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (i)]

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

**Resolution 6**

"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 and subsidiary holdings) from time to time."

[See Explanatory Note (ii)]

# NOTICE OF ANNUAL GENERAL MEETING

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

**Resolution 7**

"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 and subsidiary holdings) from time to time."

[See Explanatory Note (iii)]

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

## Explanatory Notes:

- (i) Resolution 5, if passed, will empower the Directors, from the date of this Annual General Meeting until the date 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 earlier, to allot and issue Shares and to make grant instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such instruments, up to an aggregate number not exceeding 100% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings, if any), with a sub-limit of 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) for issues other than on a pro-rata basis to shareholders of the Company.

For the purpose of determining the aggregate number of Shares that may be issued, the percentage of the total number of issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time Resolution 6 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities, and (b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time Resolution 5 is passed, and (c) any subsequent bonus issue, consolidation or sub-division of Shares.

- (ii) Resolution 6, 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 and subsidiary holdings) from time to time.
- (iii) Resolution 7, 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 and subsidiary holdings) of the Company from time to time.

## By Order of the Board

Seah Kim Swee  
Company Secretary

Date: 11 August 2020

**Notes:**

- a) A Shareholder (including a relevant intermediary\*) entitled to vote at the Annual General Meeting (the "AGM") must appoint Chairman of the AGM to act as proxy and direct the vote at the AGM.
- b) The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or on his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer, failing which the instrument of proxy may be treated as invalid.
- c) A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
- d) In the case of joint shareholders, all holders must sign the form of proxy.

**IMPORTANT NOTICE TO SHAREHOLDERS**

The AGM is being convened, and will be held, only by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. This Notice will be made available on SGX website at the URL <https://www.sgx.com/securities/company-announcements> and published on the Company's corporate website at the URL <https://versalink.com/investors>.

Alternative arrangements relating to, among others, attendance at the AGM by way of electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of the AGM, addressing of substantial and relevant questions prior to, or at the AGM and/or voting by appointing the Chairman of the AGM as proxy at the AGM, are set out below.

Due to the current COVID-19 situation and the related elevated safe distancing measures in Singapore, a Shareholder (*including a relevant intermediary\**) will not be able to attend the AGM in person. A Shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such Shareholder wishes to exercise his/her/its voting rights at the AGM.

- \* Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any shareholder who is a relevant intermediary is required to appoint the Chairman of the AGM to attend and vote at the AGM. Relevant intermediary is either:
  - (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
  - (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or
  - (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

# NOTICE OF ANNUAL GENERAL MEETING

Shareholders may participate at the AGM by taking note of the following steps:

## 1. Registration for Live Webcast

A Shareholder will be able to follow the proceedings of the AGM through a live audio-visual webcast or live audio-only stream (collectively, "Live Webcast") via mobile phone, tablet, computer or any such electronic device.

In order to do so, a Shareholder must pre-register no later than 2.00 p.m. 24 August 2020 ("Registration Deadline"), by emailing to [srs.teamd@boardroomlimited.com](mailto:srs.teamd@boardroomlimited.com) with the following details for verification purpose :-

### For individual –

- a) Full Name (as per identification document);
- b) NRIC/Passport Number;
- c) Shareholding type (e.g. CDP; Scrip-based; CPF/SRS; Corporate Representative);
- d) Email address; and
- e) Contact number

### For Corporate Entity –

- a) Company Name;
- b) Registration Number;
- c) Shareholding type (e.g. CDP; Scrip-based; CPF/SRS; Corporate Representative);
- d) Email address; and
- e) Contact number

Shareholders who have been authenticated will receive email instructions to access the Live Webcast of the proceedings of the AGM. Shareholders who have registered by the Registration Deadline but did not receive email instructions by 2.00 p.m. on 25 August 2020 may contact the Company by email at [arica@versalink.com](mailto:arica@versalink.com) for assistance.

Shareholders must not forward the abovementioned email instructions to other persons who are not Shareholders and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Live Webcast.

Investors who hold shares through relevant intermediaries as defined in Section 181(1C) of the Companies Act, including CPF and SRS Investors, and wish to participate in the AGM should, in addition to pre-registering, approach their respective agents, including CPF Agent Banks and SRS Operators, as soon as possible so that the necessary arrangements can be made by the relevant agents for their participation in the AGM.

## 2. Shareholders' Queries

Shareholders will not be able to speak or ask questions during the Live Webcast, therefore it is important for them to submit their questions in advance of the AGM.

All questions must be submitted no later than 2.00 p.m. on 23 August 2020 to the Company:

- (a) via email to [arica@versalink.com](mailto:arica@versalink.com)

For verification purpose, when submitting any questions by post or via email, Shareholders MUST provide the Company with their particulars (comprising full name (for individuals)/company name (for corporates), email address, contact number, NRIC/passport number/company registration number, shareholding type and number of shares held).

The Company will endeavor to address the substantial queries from Shareholders prior to, or at the AGM and upload the Company's responses on the SGX website. The minutes of the AGM, which include responses to substantial queries from the Shareholders which are addressed during the AGM, shall thereafter be published on SGX website, within one (1) month from the conclusion of the AGM.

Investors who hold shares through relevant intermediaries as defined in Section 181(1C) of the Companies Act, including CPF and SRS Investors, can submit their questions in relation to any resolution set out in the Notice of AGM upon pre-registration, however, they should, in addition to pre-registering, approach their respective agents, including CPF Agent Banks and SRS Operators, as soon as possible, so that the necessary arrangements can be made by the relevant agents for their participation in the AGM.

### 3. Proxy Voting

A Shareholder (including a relevant intermediary) will not be able to attend the AGM physically in person. If a Shareholder (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. The instrument appointing the Chairman of the AGM as proxy has been uploaded together with this Notice of AGM on SGX website on the same day.

Shareholders (whether individual or corporate) appointing the Chairman of the AGM as proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid.

The instrument appointing the Chairman of the AGM as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must:

- (a) if by post, to the Share Registrar of the Company, Boardroom Corporate & Advisory Services Pte Ltd, at **50 Raffles Place, Singapore Land Tower, #32-01 Singapore 048623** (Opening Hours is 9am to 5.30pm, Mondays to Fridays (excluding Public Holidays); or
- (b) if sent by email to [srs.teamd@boardroomlimited.com](mailto:srs.teamd@boardroomlimited.com)

in either case, not less than 48 hours before the time for holding the AGM and at any adjournment thereof.

A Shareholder who wishes to submit an instrument of proxy by (a) and (b) must first download the proxy form, which is available on SGX website at the URL <https://www.sgx.com/securities/company-announcements> or the Company's corporate website at the URL <https://versalink.com/investors>, complete and sign the proxy form, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above. In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for Shareholders to submit completed proxy forms by post, Shareholders are strongly encouraged to submit completed proxy forms electronically via email.

Investors who hold shares through *relevant intermediaries* as defined in Section 181(1C) of the Companies Act, including CPF and SRS Investors, and wish to appoint the Chairman of the AGM as proxy, should approach their respective agents, including CPF Agent Banks and SRS Operators, to submit their votes at least seven (7) working days before the AGM (i.e. by 2.00 p.m. on 14 August 2020) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as proxy (such as in the case where the appointor submits more than one instrument of proxy).

In the case of shares entered in the Depository Register, a Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to appoint the Chairman of the AGM as proxy.

The Annual Report 2020 may be accessed at the SGX website at the URL <https://www.sgx.com/securities/company-announcements> or the Company's corporate website at the URL <https://versalink.com/investors>.



# NOTICE OF ANNUAL GENERAL MEETING

## **Important Notice:**

Due to the evolving COVID-19 situation in Singapore, the Company may change the AGM arrangements at short notice. The Company will announce any changes to the holding or conduct of the AGM via the SGX website. Shareholders are advised to check the SGX website regularly for updates on the AGM.

## **Personal Data Privacy:**

By (a) submitting an instrument appointing the Chairman of the AGM as proxy to attend and vote at the AGM and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the AGM via Live Webcast, or (c) submitting any question prior to the AGM in accordance with this Notice, a Shareholder consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) processing and administration by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the AGM as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof);
- (ii) processing of the registration for purpose of granting access to Shareholders (or their corporate representatives in the case of Shareholders which are legal entities) to the Live Webcast to observe the proceedings of the AGM and providing them with any technical assistance where necessary;
- (iii) addressing substantial and relevant questions from Shareholders received before the AGM and if necessary, following up with the relevant Shareholders in relation to such questions;
- (iv) preparation and compilation of the attendance list, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member (such as his name, his presence at the AGM and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

**VERSALINK HOLDINGS LIMITED**

Registration No. 201411394N  
(Incorporated in Singapore)

**IMPORTANT**

1. The Annual General Meeting (the "Meeting") is being convened and will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Notice of Meeting has been published on 11 August 2020 on the SGX website and the Company's website at <https://versalink.com/investors>.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast or "live" audio-only stream (collectively "Live Webcast"), submission in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying section entitled "Important Notice to Shareholders" of the Notice of AGM. For the avoidance of doubt, the aforesaid section is circulated together with and forms part of the Notice of AGM in respect of the AGM.
3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
4. For investors who have used their CPF monies and/or SRS monies to buy the Company's shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
5. CPF and/or SRS investors who wish to vote should contact their CPF and/or SRS Approved Nominees to submit their voting instructions by 2.00 p.m. on 14 August 2020.
6. By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in this proxy form.

**PROXY FORM**

I/We \_\_\_\_\_ NRIC/Passport number/Registration No.\* \_\_\_\_\_  
of \_\_\_\_\_

being a member(s) of **VERSALINK HOLDINGS LIMITED** (the "Company"), hereby appoint the Chairman of the Annual General Meeting as my/our proxy to attend, speak and to vote for me/us on my/our behalf at the Annual General Meeting of the Company ("AGM") to be held by way of electronic means on 26 August 2020 at 2.00 p.m. and at any adjournment thereof.

\*I/We direct the Chairman of the AGM, being \*my/our proxy, to vote for or against, or abstain from voting on the Ordinary Resolutions to be proposed at the AGM as indicated hereunder.

**In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.**

No.	Resolutions	For**	Against**	Abstain**
1.	To receive and consider Directors' Statement and Auditors' Reports and Audited Financial Statements			
2.	To approve the Directors' fees for the financial year ended 29 February 2020			
3.	To re-elect Law Pei Ling as Director			
4.	To re-appoint RSM Chio Lim LLP as Auditors			
5.	To authorise the Directors to allot and issue new shares			
6.	To authorise the Directors to grant awards and issue shares in accordance with the provisions of the Versalink Performance Share Plan			
7.	To authorise the Directors to grant options and issue shares in accordance with the provisions of the Versalink Employee Share Option Scheme			

**Notes:**

\* Delete accordingly

\*\* Voting will be conducted by poll. If you wish the Chairman of the AGM as your proxy to exercise all your votes "For" or "Against" the relevant resolution, please mark an "X" in the relevant box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the relevant box provided in respect of that resolution. If you mark an "X" in the abstain box for a particular resolution, you are directing your proxy, who is the Chairman of the AGM, not to vote on that resolution.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2020

**Total number of Shares held**

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

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

Fold and seal here

**NOTES :**

1. Please insert the total number of shares in the capital of the Company ("Shares") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 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. If no number is inserted, this instrument of proxy will be deemed to relate to all the Shares held by you.
2. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

3. The Chairman of the AGM, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the AGM as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must:
  - a) if by post, to the Share Registrar of the Company, Boardroom Corporate & Advisory Services Pte Ltd, at **50 Raffles Place, Singapore Land Tower, #32-01 Singapore 048623** (Opening Hours is 9am to 5.30pm, Mondays to Fridays (excluding Public Holidays); or
  - b) if sent by email to [srs.teamd@boardroomlimited.com](mailto:srs.teamd@boardroomlimited.com)

in either case, not less than 48 hours before the time for holding the AGM and at any adjournment thereof and in default the instrument of proxy shall not be treated as valid.

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**

5. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation, failing which the instrument of proxy may be treated as invalid.
6. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the AGM.
7. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy 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 the Chairman of the AGM

as proxy. In addition, in the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if such members are not shown to have shares entered against their names in the Depository Register at seventy-two (72) hours before the time appointed for holding the Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. For investors who have used their CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) to buy Shares, this proxy form is not valid for their use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF Investors and/or SRS Investors who wish to appoint the Chairman of the AGM to act as their proxy should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 2.00 p.m. on 14 August 2020).

**PERSONAL DATA PRIVACY:**

By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 August 2020.

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Affix  
Postage  
Stamp

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

8 Wilkie Road  
#03-01 Wilkie Edge  
Singapore 228095

Fold here

**Singapore**

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**Malaysia**

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