



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Versalink Holdings Limited

Security: Versalink Holdings Limited

Meeting details:

Date: 29 June 2018

Time: 11.00 a.m.

Venue: 8 Wilkie Road #03-01 Wilkie Edge Singapore 228095

Company Description

Versalink Holdings Limited, an investment holding company, designs, develops, manufactures, supplies, and exports system furniture products under the Versalink brand name. The company offers reception products; architectural products, such as high wall systems; panel, desking, and modular systems; filing and storage products; metal and panel leg meeting, and flip tables; executive series products, including veneer, MFC, and metal leg products; and auditorium, sofa and lounge, executive, task and work, and institutional seating products. It also provides acoustic panels; worktools comprising CPU holders, keyboard trays, monitor arms, wire trays, and stationary trays and holders; power options, such as cable boxes and accessories, and cable channels; and presentation products consisting of whiteboards. In addition, the company offers workspace planning and consulting services. It serves architects, contractors, corporate customers, dealers, designers, and OEM customers in approximately 40 countries in Africa, Australasia, Asia, the Middle East, and North America. The company was founded in 1991 and is based in Klang, Malaysia.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=40N)

1. Revenue increased by 23% from RM50.9 million to RM62.6 million in FY2018. The newly acquired subsidiary, Alca Vstyle Sdn Bhd, contributed RM11.6 million in revenue in the financial year. Alca Vstyle accounted for 99% of the increase in the group's revenue.

Net loss attributable to owners of the company increased to RM(2.5) million from RM(1.9) million. However, the company has disclosed that it is looking forward to an improved performance in the next FY due to "*the strategies being implemented*".

Can management elaborate further on the strategies to improve the group's profitability? Specifically:

- (i) **R&D expenditure: With increased expenditure in R&D to develop new designs and new products for new markets, how does management also ensure that the products are well-received and command healthier profit margins?**
- (ii) **Upgrade of manufacturing software and equipment: Has the software upgrade been completed and the new equipment installed? What are the expected cost savings based on management's projections?**
- (iii) **Gross profit margin: Based on the segment information in Note 25B (page 81 - Profit or loss from continuing operations and reconciliations), the gross profit margin in the Domestic segment is 30% while that of the Export segment is about 20%. What are management's profitability targets for the two segments? How can the group improve the gross profit margin in the Export segment?**

2. The "Net realisable value of trade receivables" is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 44). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, trade receivables amounted to RM12,667,000 as at the end of the reporting year (2017: RM6.9 million) and represent 17% of the group's total assets (2017: 9%).

Trade receivable past due but not impaired jumped by more than double to RM 9.5 million as at 28 February 2018, up from RM 4.1 million a year ago. The ageing analysis of the trade receivables past due but not impaired is shown below:

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

26D. Credit risk on financial assets (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	
	2018 RM'000	2017 RM'000
<u>Trade receivables:</u>		
Less than 3 months	7,572	738
3 to 6 months	751	242
Over 6 months	1,212	3,119
Total	9,535	4,099

(Source: Company annual report)

- (i) Can management help shareholders understand the specific reason(s) for the material increase in trade receivables past due but not impaired?**
- (ii) What are management's efforts in collecting the outstanding debt?**
- (iii) As the group tries to scale up the business, how does management ensure that it is not exposed to excessive credit risk? How robust is the group's framework of assessing a potential customer's creditworthiness?**
- (iv) How does the audit committee monitor the group's credit risk exposure and the concentration of credit risk due to individual customers?**

3. Based on the disclosure in Note 12 (page 69 – Intangible asset), in FY2017, the group recognised intangible assets of RM910,000 which was attributed to the development costs of the high-end luxury system furniture range under the new brand, _AD MAIORA.

In FY2018, as the performance of the new brand was not up to expectations, the impairment test of the intangible asset was triggered and the remaining carrying value was fully impaired in FY2018.

- (i) Can management elaborate on the sales performance of _AD MAIORA? Going forward, will the group keep up with the marketing of the brand and its products?**
- (ii) What adjustments have the group made to its strategy for the premium office furniture segment given that the uptake rate of _AD MAIORA is below expectations?**
- (iii) What are the lessons learnt by the group/management in this innovative tie-up with the Italian architecture firm to create _AD MAIORA? Going forward, what changes have the group made to its innovation/branding strategy? Specifically, how will the group position itself to tap the premium office furniture segment?**



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A copy of the questions for the Annual Report for the financial year ended 28 February 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Versalink%20Holdings%20Ltd>

The company's response could be found here: -----