



Securities Investors Association (Singapore)

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Issuer: Versalink Holdings Limited

Security: Versalink Holdings Limited

Meeting details:

Date: 26 Jun 2019

Time: 2.30 p.m.

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

Company Description

Versalink Holdings Limited is a Singapore-based investment holding company, which is engaged in providing management services. The Company is engaged in the design, manufacture and supply of a range of system furniture under its Versalink brand. It also supplies ancillary products, such as seating models and work tools that it sources from third party manufacturers. The Company's segments are domestic sales and export sales. 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. In addition, the Company is also the reseller for various international third party brand of office furniture, such as ZUCO Burositzmobel of AG Switzerland and Dauphin Human Design of Germany. It also provides workspace planning and consulting services to customers requiring advice on optimizing their usage of space and/or customization of system furniture.

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

Q1. In the Chairman's statement, the following observations and comments were made:

- Revenue for the year dropped by 19% to RM50.7 million in FY2019
- Mostly due to domestic revenue falling by 35% to RM20.4 million as there were delays in government projects as well as fewer/smaller tenders from contractors and distributors
- Export revenue slipped from RM31.2 million to RM30.3 million due to customers facing a downturn in their own markets
- Achieved lower gross margin due to higher direct labour costs and production costs
- Recognised a higher allowance for impairment on trade receivables of approximately RM3.8 million
- The industry is competitive and fragmented with many players
- The increased market competition and pricing pressure have eroded the group's competitiveness
- Net loss after tax of approximately RM(8.3) million for the financial year ended 28 February 2019 (2018: RM(2.4) million)

In the last annual report, the group has stated that it was looking forward to an improved performance for FY2019 "*due to the strategies being implemented*".

- (i) Has the board evaluated/reviewed the erosion of the group's competitiveness in the last three financial years? Is the group agile enough to respond to changes in the market dynamics and consumer trends?** Since FY2017, the group has reported losses attributable to owners of the company of RM(1.9) million, RM(2.5) million and RM(7.0) million and net asset per share has slipped from 50.7 sen to 40.2 sen.
- (ii) Given the change in the board chairman, would the board consider it opportune to carry out a comprehensive strategic review of the group's operations to assess the core competencies of the group, its management team and its financial strength and to fine-tune its strategies so as to create long-term sustainable value for all shareholders?**

Q2. For the financial year ended 28 February 2019, the group recognised an impairment on trade receivables of RM3.8 million (individually impaired). As can be seen from Note 16 (pages 74 to 75 – Trade and other receivables), overdue trade receivables that are impaired increased from RM589,000 in FY2018 to RM4,377,000.

- (i) Can management provide a detailed breakdown of the RM3.8 million that was individually impaired to show the ageing analysis (with an upper limit to the length of time), overdue amount, country and number of customers?**
- (ii) In addition, what is the profile of these customers who have long outstanding debt that are individually impaired?**

- (iii) Can the board elaborate further on the circumstances of the debtors who might have suffered a drop in credit quality? What was the process by management to evaluate the collectability of these long outstanding debts?
- (iv) Given that these overdue and impaired trade receivables are not secured, what are the options available to the group to recover the long outstanding debt?
- (v) Would the board consider it necessary to review the group's credit risk assessment and ongoing credit evaluation framework to increase its robustness and effectiveness?

Q3. The attendance of directors at board and board committee meetings is shown in the table below:

The number of meetings held by the Board and Board Committees and attendance thereat during the financial year ended 28 February ("FY") 2019 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
Dr Wilson Tay*	2	2	2	2	1	1	1	1
Matthew Law	2	2	2	2 [^]	1	1 [^]	1	1 [^]
Arica Walters	2	2	2	2 [^]	1	1	1	1 [^]
Adam Law	2	2	2	2 [^]	1	1 [^]	1	1 [^]
Chin Chee Choon	2	2	2	2	1	1	1	1
Chow Wen Kwan	2	2	2	2	1	1	1	1
Lim Tong Lee**	-	-	-	-	-	-	-	-

* Resigned on 18 March 2019

** Appointed on 18 April 2019

[^] By invitation

(Source: Company annual report)

The executive directors, namely Matthew Law, Arica Walters and Adam Law, are siblings and each of the executive directors holds 11.45% of the company's issued shares. In total, the Law family holds more than 72% of the company's issued shares.

- (i) Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend board committee meetings?
- (ii) Were there specific agenda items or reasons to invite the executive directors to all the board committee meetings?

- (iii) What is the dynamics of the board committee meetings when the board committee members may be reviewing and discussing matters that are related to or affect the executive directors?** Such board committee meetings would have included agenda items on performance assessment and remuneration of the executive directors and on the audit/financial reporting/internal controls of the group.
- (iv) Do the invited directors also actively participate in the discussions during the board committee meetings? If so, how are board committee meetings different from the board meeting?**

A copy of the questions for the Annual Report for the financial year ended 28 February 2018 and 28 February 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Versalink%20Holdings%20Ltd&cid=6792,4591,4240>

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