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Issuer: Versalink Holdings Limited

Stock code: 40N

Meeting details:

Date: 27 June 2023

Time: 10.30 a.m.

Venue: <<live webcast>>

Q1. Revenue for the year increased to RM44.8 million in FY2023, the highest since the pandemic started. In the chairman's statement, it was stated that the export segment accounted for RM33.6 million or 75% of the group's total revenue (see below).

FINANCIAL PERFORMANCE

REVENUE

The Group's revenue for FY2023 was approximately RM44.84 million, an increase of approximately RM7.06 million or 18.7% as compared to approximately RM37.78 million reported in the previous financial year ended 28 February 2022 ("FY2022").

The revenue contribution by export segment amounted to 74.9% and 76.5% of the Group's total revenue in FY2023 and FY2022 respectively whilst the revenue contribution by domestic segment amounted to 25.1% and 23.5% of the Group's total revenue in FY2023 and FY2022 respectively.

- Export Segment**

The export segment recorded a higher revenue of approximately RM33.6 million in FY2023, as compared to approximately RM28.9 million in FY2022. The increase in revenue of approximately RM4.7 million was mainly contributed by the increase in revenue from the end customers of Middle East and Asia countries of approximately RM5.5 million from approximately RM9.90 million in FY2022 to approximately RM15.4 million in FY2023.

- Domestic Segment**

The domestic segment also recorded a higher revenue of approximately RM11.2 million in FY2023, as compared to approximately RM8.9 million in FY2022. The increase in revenue of approximately RM2.3 million was mainly due to higher revenue generated from the central region of Peninsular Malaysia ("**Central Region**"). Central Region revenue increased by approximately RM3.0 million from approximately RM5.8 million in FY2022 to approximately RM8.8 million in FY2023.

(Source: company annual report; emphasis added)

However, in Note 28 (page 103), it was stated that customers in Malaysia accounted for RM21.7 million or 48% of the group's total revenue.

28. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

28F. Geographical information

Revenue based on geographical locations of customers is as follows:

	2023 RM'000	2022 RM'000
<u>Revenue:</u>		
Malaysia	21,718	15,436
Middle East	4,939	3,350
North America	13,113	14,108
Asia	4,253	3,990
Singapore	545	574
Others	269	317
Consolidated revenue	44,837	37,775

(Source: company annual report)

- (i) **What are the reasons for the disparity between the export/domestic breakdown and the geographical information regarding customers? Can the board and management reconcile this information in order to provide shareholders with a clearer understanding of the group's performance in the target markets?**
- (ii) **More specifically, what is the current rate of recovery in the North America market? How has the group undertaken its business development activities in the North America market over the past 3-5 years? Has the group's sale network and/or number of customers increased?**

Q2. The group's FY2023 revenue is still 29% below the revenue of RM62.7 million achieved in FY2018. As disclosed on page 18, the gross profit margins for the export segment and the domestic segment were 24.7% (2022: 21.8%) and 28.6% (2022: 24.7%) respectively.

Despite recognising a one-off gain on disposal of property, plant and equipment of approximately RM19.15 million in FY2023, the group reported a net profit after tax of approximately RM15.80 million.

The losses attributable to owners of the company in the past years are as follows:

FY2022: RM(2.35) million

FY2021: RM(4.20) million

FY2020: RM(1.39) million

FY2019: RM(6.98) million

FY2018: RM(2.52) million

FY2017: RM(1.90) million

FY2016: RM7.32 million (profit)

The accumulated losses amounted to RM(16.2) million as at 28 February 2022. With the one-off gain on disposal of property, the accumulated loss has been reduced to RM(8.5) million as 28 February 2023.

If the one-off gain on disposal of property was excluded, the group would have reported 7 years of losses since FY2017.

- (i) **Can management help shareholders better understand the competitive advantages of the group, if any, in the manufacture, marketing and sale of system furniture and other furniture related products?**
- (ii) **How does the group compete against other low-cost producers? How does the group acquire new customers?**
- (iii) **What strategy does the management have in place to restore the group's revenue and profitability? What are the priorities in FY2024 that will improve the group's profit margin and net profitability?**
- (iv) **What are the roles played by the directors, especially the independent directors, in providing entrepreneurial leadership, setting strategic objectives and ensuring the long-term success of the group?**

Q3. As disclosed in Note 18 Trade and other receivables, the group has RM1.455 million in trade receivables that have been individually impaired. The amounts were impaired in FY2022 and were not secured.

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

	Group		
	2023 RM'000	2022 RM'000	2021 RM'000
<u>Trade receivables:</u>			
Less than 3 months	–	36	–
Over 6 months	1,455	1,419	–
Total	1,455	1,455	–

(Compiled from company annual reports)

- (i) **Can the audit committee (AC) help shareholders better understand the reasons for the impairment of the trade receivables?**
- (ii) **What is the profile of the customer with impaired trade receivables?**
- (iii) **What are the efforts by management to collect on the long-outstanding trade receivables?**
- (iv) **Will management be reviewing its credit risk framework to further improve its robustness given the challenging operating environment?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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