

VERSALINK HOLDINGS LIMITED
(Incorporated in Singapore on 21 April 2014)
(Registration No: 201411394N)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 AUGUST 2023

A. Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Six Months ended 31 August 2023

	Note	Group		Increase/ (Decrease) + / (-) %
		Unaudited 6 months ended 31 Aug 2023	Unaudited 6 months ended 31 Aug 2022	
		RM'000	RM'000	
Revenue	4	19,550	24,024	(18.6)
Cost of sales		(15,706)	(17,272)	(9.1)
Gross profit		3,844	6,752	(43.1)
Interest income		92	81	13.6
Other income and gains		26	357	(92.7)
Marketing and distribution expenses		(1,785)	(1,874)	(4.7)
Administrative expenses		(3,587)	(3,285)	9.2
Other losses		(206)	(7)	>100
Finance costs		(180)	(61)	>100
(Loss)/Profit before income tax	6	(1,796)	1,963	nm*
Income tax expenses	7	-	-	-
(Loss)/Profit, net of income tax		(1,796)	1,963	nm*
<u>Other comprehensive (loss)/income:</u>				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating of foreign operations, net of income tax		(2)	-	nm*
Total comprehensive (loss)/income for the period		(1,798)	1,963	nm*
(Loss)/Profit, net of tax attributable to:				
Owners of the Company		(1,798)	1,963	nm*
Non-controlling interest		-	-	-
(Loss)/Profit, net of tax		(1,798)	1,963	nm*
Total comprehensive (loss)/income for the period attributable to:				
Owners of the Company		(1,798)	1,963	nm*
Non-controlling interest		-	-	-
Total comprehensive (loss)/income for the period		(1,798)	1,963	nm*
(Loss)/Earnings per share attributable to the owners of the Company (Sen Ringgit Malaysia)				
Basic (1) and diluted (2)		(1.33)	1.45	

*nm denotes not meaningful

Notes:

(1) Computed based on (loss)/profit attributable to owners of the Company for the respective financial periods divided by the weighted average number of ordinary shares in issue during the respective financial periods.

(2) As there are no dilutive potential ordinary shares that were outstanding during the respective financial periods, the diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

B. Condensed Interim Consolidated Statements of Financial Position as at 31 August 2023

	Note	Group		Company	
		Unaudited 31.08.2023 RM'000	Audited 28.02.2023 RM'000	Unaudited 31.08.2023 RM'000	Audited 28.02.2023 RM'000
ASSETS					
<u>Non-current assets</u>					
Plant and equipment	9	7,331	8,101	-	-
Right-of-use assets	10	2,388	2,919	-	-
Intangible asset	11	-	-	-	-
Investment in subsidiaries		-	-	26,347	26,625
Total non-current assets		<u>9,719</u>	<u>11,020</u>	<u>26,347</u>	<u>26,625</u>
<u>Current assets</u>					
Inventories		7,942	8,622	-	-
Trade and other receivables		4,138	4,529	10,479	15,737
Other non-financial assets		2,308	3,002	368	31
Cash and cash equivalents		16,080	25,415	686	3,765
Total current assets		<u>30,468</u>	<u>41,568</u>	<u>11,533</u>	<u>19,533</u>
Total assets		<u>40,187</u>	<u>52,588</u>	<u>37,880</u>	<u>46,158</u>
EQUITY AND LIABILITIES					
<u>Equity</u>					
Share capital	12	36,435	36,435	36,435	36,435
(Accumulated losses)/Retained earnings		(10,297)	(8,501)	1,031	1,245
Foreign currency translation reserves		6	8	-	-
Total equity		<u>26,144</u>	<u>27,942</u>	<u>37,466</u>	<u>37,680</u>
<u>Non-current liabilities</u>					
Deferred tax liabilities		400	400	-	-
Other financial liabilities	13	82	-	-	-
Lease liabilities		3,221	4,551	-	-
Total non-current liabilities		<u>3,703</u>	<u>4,951</u>	<u>-</u>	<u>-</u>
<u>Current liabilities</u>					
Provisions		1,680	1,680	-	-
Income tax payable		-	10	-	1
Trade and other payables		5,297	14,673	414	8,477
Other financial liabilities	13	923	924	-	-
Lease liabilities		2,440	2,408	-	-
Total current liabilities		<u>10,340</u>	<u>19,695</u>	<u>414</u>	<u>8,478</u>
Total liabilities		<u>14,043</u>	<u>24,646</u>	<u>414</u>	<u>8,478</u>
Total equity and liabilities		<u>40,187</u>	<u>52,588</u>	<u>37,880</u>	<u>46,158</u>

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

C. Condensed Interim Consolidated Statements of Changes In Equity For the Six Months ended 31 August 2023

<u>Group</u>	Unaudited Share Capital RM'000	Unaudited Foreign Currency Translation Reserve RM'000	Unaudited Retained Earnings/ (Accumulated Losses) RM'000	Unaudited Non- controlling Interests RM'000	Unaudited Total Equity RM'000
Balance at 1 March 2023	36,435	8	(8,501)	-	27,942
Loss for the financial period	-	-	(1,796)	-	(1,796)
Exchange differences on translation of foreign operations	-	(2)	-	-	(2)
Total comprehensive loss for the period	-	(2)	(1,796)	-	(1,798)
Balance at 31 August 2023	36,435	6	(10,297)	-	26,144
Balance at 1 March 2022	62,513	8	(16,215)	-	46,306
Profit for the financial period	-	-	1,963	-	1,963
Total comprehensive income for the period	-	-	1,963	-	1,963
Balance at 31 August 2022	62,513	8	(14,252)	-	48,269
<u>Company</u>			Unaudited Share Capital RM'000	Unaudited Retained Earnings RM'000	Unaudited Total Equity RM'000
Balance at 1 March 2023			36,435	1,245	37,680
Total comprehensive loss for the period			-	(214)	(214)
Balance at 31 August 2023			36,435	1,031	37,466
Balance at 1 March 2022			62,513	1,137	63,650
Total comprehensive income for the period			-	134	134
Balance at 31 August 2022			62,513	1,271	63,784

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

D. Condensed Interim Consolidated Statement of Cash Flows For the Six Months ended 31 August 2023

	Group	
	Unaudited 6 months ended 31 Aug 2023 RM'000	Unaudited 6 months ended 31 Aug 2022 RM'000
<u>Cash flows from operating activities</u>		
(Loss)/Profit before tax	(1,796)	1,963
Adjustments for:		
Depreciation of property, plant and equipment	811	1,096
Depreciation of right-of-use assets	531	-
Gain on disposal of plant and equipment	-	(36)
Interest income	(92)	(81)
Interest expenses	180	61
Operating cash flows before changes in working capital	<u>(366)</u>	<u>3,003</u>
Inventories	679	2,758
Trade and other receivables	391	(95)
Other non-financial assets	705	4
Trade and other payables	(1,293)	(760)
Net cash flows from operations	<u>116</u>	<u>4,910</u>
Income taxes (paid)/refund	(20)	240
Net cash flows from operating activities	<u>96</u>	<u>5,150</u>
<u>Cash flows used in investing activities</u>		
Purchase of plant and equipment	(41)	(446)
Proceeds from disposal of plant and equipment	-	36
Placement of fixed deposits	(2,800)	-
Interest received	92	81
Net cash flows used in investing activities	<u>(2,749)</u>	<u>(329)</u>
<u>Cash flows used in financing activities</u>		
Decrease in other financial liabilities	(41)	(698)
Repayment from associate	-	250
Interest paid	(180)	(61)
Payment of lease liabilities	(1,177)	-
Payment of interim exempt dividend	(8,083)	-
Decrease in cash restricted in use	(49)	(9)
Net cash flows used in financing activities	<u>(9,530)</u>	<u>(518)</u>
Net (decrease)/increase in cash and cash equivalents	(12,183)	4,303
Cash and cash equivalents, statement of cash flows, beginning balance	<u>24,421</u>	<u>8,074</u>
Cash and cash equivalents, statement of cash flows, ending balance (Note A)	<u>12,238</u>	<u>12,377</u>

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

Note A:

	Group	
	Unaudited 6 months ended 31 Aug 2023	Unaudited 6 months ended 31 Aug 2022
	RM'000	RM'000
Cash and bank balances at end of the period	16,080	13,363
Cash pledged for bank facilities	(3,842)	(986)
Cash and cash equivalents as disclosed in consolidated statement of cash flow	12,238	12,377

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

E. Notes to the Condensed Interim Consolidated Financial Statements

1. Corporate information

Versalink Holdings Limited (the "Company") is incorporated in Singapore with limited liability. The Company is listed on the Catalist board of the Singapore Exchange Securities Trading Limited on 24 September 2014.

The board of directors approved and authorised these condensed interim consolidated financial statements for issue on the date of this announcement. The directors have the power to amend and reissue the financial statements.

These condensed interim consolidated financial statements as at and for the six months ended 31 August 2023 comprise the Company and its subsidiaries (the "Group").

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 manufacturing, marketing and sale of system furniture and other furniture related products.

The financial information contained in this announcement has neither been audited nor reviewed by the Company's auditors.

The latest audited annual consolidated financial statements of the Group for the year ended 28 February 2023 are not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the Company's auditors.

The condensed interim consolidated 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.

Uncertainties relating to the current economic conditions

Management has considered the current economic conditions caused by the COVID-19 pandemic, commodities inflation, as well as the war in Ukraine at the end of the reporting year and reviewed the probable impact and plausible downside scenarios. No material uncertainties were identified in connection with the reporting entity's ability to continue in operational existence for the near future.

2. Basis of preparation

The condensed interim consolidated financial statements for the six months ended 31 August 2023 have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") 1-34 Interim Financial Reporting issued by the Singapore Accounting Standards Council.

The condensed interim consolidated financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last audited annual consolidated financial statements for the year ended 28 February 2023.

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

2. Basis of preparation (Continued)

The accounting policies and methods of computation adopted are consistent with those adopted by the Company in its most recently audited annual consolidated financial statements for the year ended 28 February 2023, which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1 below.

Accounting convention

The condensed interim consolidated 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.

2.1 New and amended standards adopted by the Group

Other than the adoption of the new and amended standards from prior reporting year, there were no changes in accounting policies and methods of computation adopted in the condensed interim consolidated financial statements as compared to the most recently audited annual consolidated financial statements for the year ended 28 February 2023, which were in accordance with SFRS(I)s. These applicable new and amended standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

2.2 Critical judgements, assumptions and estimation uncertainties

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. The nature and the carrying amount of such significant assets and liabilities are disclosed with further details in the relevant Notes to these condensed interim consolidated financial statements.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual consolidated financial statements as at and for the year ended 28 February 2023.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3 Seasonal operations

The Group's business are not affected significantly by seasonal or cyclical factors during the financial period.

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

4. Segment and revenue information

The Group is organised into the following major business segments:

- (i) Domestic sales segment ("Domestic") - sales of office furniture derived from local market; and
- (ii) Export sales segment ("Export") - sales of office furniture to countries overseas.

These operating segments are reported in manner consistent with internal reporting provided to the operating decision maker who are responsible for allocating resources and assessing performance of the operating segments.

4.1 Reportable segments

	Unaudited Export RM'000	Unaudited Domestic RM'000	Unaudited Group RM'000	
1 March 2023 to 31 August 2023				
Revenue by segment				
Total revenue by segment	17,107	4,461	21,568	
Inter-segment sales	(2,018)	-	(2,018)	
Total revenue	15,089	4,461	19,550	
Cost of sales by segment				
Total cost of sales by segment	(14,554)	(3,170)	(17,724)	
Inter-segment cost of sales	2,018	-	2,018	
Total cost of sales	(12,536)	(3,170)	(15,706)	
Gross profit	2,553	1,291	3,844	
Recurring LBITDA				
Interest income			(366)	
Finance costs			92	
Depreciation and amortisation			(180)	
Loss before tax			(1,342)	
Income tax expense			-	
Loss, net of tax			(1,796)	
Segment assets				
	Unaudited Export RM'000	Unaudited Domestic RM'000	Unaudited Unallocated RM'000	Unaudited Group RM'000
Total assets for reportable segments	32,838	8,304	37,881	79,023
Elimination of inter-segment receivables	(2,007)	(3)	(36,826)	(38,836)
Total group assets	30,831	8,301	1,055	40,187
Segment liabilities				
Total liabilities for reportable segments	15,473	10,225	586	26,284
Elimination of inter-segment payables	(4,956)	(7,520)	(165)	(12,641)
Unallocated:				
Deferred tax liabilities	400	-	-	400
Total group liabilities	10,917	2,705	421	14,043

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

4.1 Reportable segments (continued)

	Unaudited Export RM'000	Unaudited Domestic RM'000	Unaudited Group RM'000	
1 March 2022 to 31 August 2022				
Revenue by segment				
Total revenue by segment	21,795	5,292	27,087	
Inter-segment sales	(3,063)	-	(3,063)	
Total revenue	18,732	5,292	24,024	
Cost of sales by segment				
Total cost of sales by segment	(16,615)	(3,720)	(20,335)	
Inter-segment cost of sales	3,063	-	3,063	
Total cost of sales	(13,552)	(3,720)	(17,272)	
Gross profit	5,180	1,572	6,752	
Recurring EBITDA				
Interest income			3,039	
Finance costs			81	
Depreciation and amortisation			(61)	
Profit before tax			(1,096)	
Income tax credit			1,963	
Profit, net of tax			-	
			1,963	
Segment assets				
	Unaudited Export RM'000	Unaudited Domestic RM'000	Unaudited Unallocated RM'000	Unaudited Group RM'000
Total assets for reportable segments	52,872	8,221	63,979	125,072
Elimination of inter-segment receivables	(2,887)	(31)	(63,817)	(66,735)
Total group assets	49,985	8,190	162	58,337
Segment liabilities				
Total liabilities for reportable segments	12,008	9,118	345	21,471
Elimination of inter-segment payables	(4,372)	(7,040)	(164)	(11,576)
Unallocated:				
Deferred tax liabilities	173	-	-	173
Total group liabilities	7,809	2,078	181	10,068

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

4.2 Disaggregation of Revenue

	Group		
	6 months ended 31 August 2023		
	Unaudited Export RM'000	Unaudited Domestic RM'000	Unaudited Group RM'000
<u>Types of goods or services:</u>			
Sales of goods	15,089	4,461	19,550
Total revenue	15,089	4,461	19,550
<u>Timing of revenue recognition:</u>			
At a point in time	15,089	4,461	19,550
Total revenue	15,089	4,461	19,550
<u>Geographical locations of customers:</u>			
Malaysia	1,474	4,461	5,935
Middle East	2,408	-	2,408
North America	6,040	-	6,040
Asia and Oceania	2,957	-	2,957
Singapore	256	-	256
Africa	1,874	-	1,874
Others	80	-	80
Total revenue	15,089	4,461	19,550

	Group		
	6 months ended 31 August 2022		
	Unaudited Export RM'000	Unaudited Domestic RM'000	Unaudited Group RM'000
<u>Types of goods or services:</u>			
Sales of goods	18,732	5,292	24,024
Total revenue	18,732	5,292	24,024
<u>Timing of revenue recognition:</u>			
At a point in time	18,732	5,292	24,024
Total revenue	18,732	5,292	24,024
<u>Geographical locations of customers:</u>			
Malaysia	5,388	5,292	10,680
Middle East	2,148	-	2,148
North America	8,258	-	8,258
Asia and Oceania	2,467	-	2,467
Singapore	297	-	297
Others	174	-	174
Total revenue	18,732	5,292	24,024

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and liabilities of the Group and the Company as at 31 August 2023 and 28 February 2023:

	Group		Company	
	Unaudited 31 Aug 2023 RM'000	Audited 28 Feb 2023 RM'000	Unaudited 31 Aug 2023 RM'000	Audited 28 Feb 2023 RM'000
Financial Assets				
Financial assets at amortised cost	20,218	29,944	11,165	19,502
Financial Liabilities				
Financial liabilities at amortised cost	11,084	20,324	414	8,477

6. (Loss)/Profit before income tax
6.1 Significant items

	Group	
	Unaudited 6 months ended 31 Aug 2023 RM'000	Unaudited 6 months ended 31 Aug 2022 RM'000
Income		
Interest income	(92)	(81)
Foreign exchange adjustment gain, net	-	(306)
Gain on disposal of plant and equipment	-	(36)
Expenses		
Depreciation of property, plant and equipment	811	1,096
Depreciation of right-of-use assets	531	-
Inventories written down	-	89
Interest expenses	180	61
Foreign exchange adjustment loss, net	187	-

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

6. (Loss)/Profit before income tax (continued)

6.2 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.

a) Key management compensation:

	Group	
	Unaudited 6 months ended 31 Aug 2023	Unaudited 6 months ended 31 Aug 2022
	RM'000	RM'000
Salaries and other short-term employee benefits	1,339	1,252

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

	Group	
	Unaudited 6 months ended 31 Aug 2023	Unaudited 6 months ended 31 Aug 2022
	RM'000	RM'000
Remuneration of directors of the company	439	549
Fees to directors of the company	137	148

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 8 (31 August 2022: 12) persons.

b) Other receivables from related parties:

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

	Subsidiaries	
	Unaudited 31 Aug 2023	Unaudited 31 Aug 2022
	RM'000	RM'000
<u>Company</u>		
<u>Other receivables:</u>		
Balance at beginning of the period	11,507	4,534
Amounts paid in and settlement of liabilities on behalf of the company	(6,956)	-
Amounts paid out and settlement of liabilities on behalf of subsidiaries	5	9
Balance at end of the period	4,556	4,543

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

7. Taxation

The Group calculated the period income tax expenses using the tax rate that would be applicable to the expected total annual earnings. No income tax expenses were recorded in the condensed interim consolidated statement of profit or loss and other comprehensive income for the six months ended 31 August 2022 and 2023 as the Group has sufficient unutilised business losses to set off against potential taxable profit.

8. Net Asset Value ("NAV")

	Group		Company	
	Unaudited 31 Aug 2023	Audited 28 Feb 2023	Unaudited 31 Aug 2023	Audited 28 Feb 2023
NAV (RM'000)	26,144	27,942	37,466	37,680
Number of ordinary shares ('000)	135,000	135,000	135,000	135,000
NAV per ordinary share (Sen Ringgit Malaysia)	19.4	20.7	27.8	27.9

9. Plant and equipment

During the six months ended 31 August 2023, the Group acquired plant and equipment amounting to RM41,000 (31 August 2022: RM586,000) and disposed of plant and equipment amounting to Nil at cost (31 August 2022: RM36,000) with the gain on disposal of plant and equipment of Nil (31 August 2022: RM36,000).

10. Right-of-use assets

On 23 September 2022, the subsidiary entered into a sale and leaseback agreement with Axis Real Estate Investment Trust for the sale of freehold land and building at RM41,000,000. This transaction resulted in a net gain of RM19,154,000 and the recognition of a right-of-use asset of RM3,184,000 and lease liability of RM7,408,000 on the Group's statement of financial position.

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

11. Intangible Asset

	Group	
	Unaudited 31 Aug 2023	Audited 28 Feb 2023
	RM'000	RM'000
<u>Cost:</u>		
At 1 March 2022, 28 February 2023 and 31 August 2023	910	910
<u>Accumulated amortisation and impairment losses:</u>		
At 1 March 2022, 28 February 2023 and 31 August 2023	910	910
<u>Net carrying value:</u>		
At 1 March 2022, 28 February 2023 and 31 August 2023	-	-

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.

12. Share capital

	Group and Company	
	Number of shares issued	Share capital
	'000	RM'000
<u>Ordinary shares of no par value (excluding treasury shares):</u>		
Balance at 1 March 2022	135,000	62,513
Capital reduction via cash distribution on 25 November 2022	-	(26,078)
Balance at 28 February 2023 and 31 August 2023	<u>135,000</u>	<u>36,435</u>

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.

On 25 November 2022, the Company reduced the paid-up share capital by returning the sum of RM26,078,000 (equivalent to S\$8,100,000) to the shareholders on the basis of RM0.19 (equivalent to S\$0.06) for each share held.

There were no outstanding convertibles, subsidiary holdings or treasury shares as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no sales, transfers, cancellation and/or use of treasury shares during and as at the end of the current financial period reported on.

There were no sales, transfers, cancellation and/or use of subsidiary holdings during and as at the end of the current financial period reported on.

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

13. Group's borrowings and debts securities

	Group			
	Unaudited		Audited	
	31 Aug 2023	31 Aug 2023	28 Feb 2023	28 Feb 2023
Amount repayable within one year, or on demand	Secured	Unsecured	Secured	Unsecured
	RM'000	RM'000	RM'000	RM'000
Bankers' acceptance	-	896	-	924
Finance lease payables	27	-	-	-
	<u>27</u>	<u>896</u>	<u>-</u>	<u>924</u>
Amount repayable after one year				
Finance lease payables	82	-	-	-
	<u>82</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group's secured borrowings are covered and secured by joint and several guarantees by the directors of a subsidiary and pledged of fixed deposits.

14. Subsequent events

There are no known subsequent events which have led to adjustments to this set of condensed interim consolidated financial statements.

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

Other Information Required Pursuant to Appendix 7C of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst ("Catalist Rules")

1. Review

The condensed interim consolidated statement of financial position of the Company and its subsidiaries as at 31 August 2023 and the related condensed interim consolidated profit or loss and other comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flow for the six months ended 31 August 2023 and explanatory notes have not been audited or reviewed by the Company's auditors.

2. Review of the performance of the Group

2.1 Review of Statement of Profit or Loss and Other Comprehensive Income

Turnover

The Group's revenue decreased by approximately RM4.47 million or approximately 18.6% from approximately RM24.02 million for six months ended 31 August 2022 ("1H FY2023") to approximately RM19.55 million for six months ended 31 August 2023 ("1H FY2024").

The decrease was mainly due to lower revenue contribution from the both export and domestic segments. Export segment recorded a lower revenue of approximately RM15.09 million in 1H FY2024, as compared to approximately RM18.73 million in 1H FY2023 and domestic segment recorded a lower revenue of approximately RM4.46 million in 1H FY2024, as compared to approximately RM5.29 million in 1H FY2023. The decrease in revenue for both segments was mainly due to the reduced demand and the decline in office furniture spending.

Cost of sales

Cost of sales decreased by approximately RM1.56 million, or approximately 9.1% from approximately RM17.27 million in 1H FY2023 to approximately RM15.71 million in 1H FY2024. This was in line with the decrease in revenue for 1H FY2024.

Gross profit

The gross profit margin decreased from approximately 28.1% in 1H FY2023 to approximately 19.7% in 1H FY2024. The decrease in gross profit margin was mainly due to the increase of production overhead at 14.0% of export segment revenue in 1H FY2024 (1H FY2023: 9.2%).

Interest income

Interest income increased from approximately RM0.08 million in 1H FY2023 to approximately RM0.09 million in 1H FY2024 mainly due to increase in (i) interest income of approximately RM0.06 million from banks of approximately RM0.03 million in 1H FY2023 to approximately RM0.09 million in 1H FY2024, and (ii) absence of interest income from associate in 1H FY2024 as compared to approximately RM0.05 million recorded in 1H FY2023.

Other income and gains

Other income and gains decreased from approximately RM0.36 million in 1H FY2023 to approximately RM0.02 million in 1H FY2024 mainly due to the absence of unrealised foreign exchange gain and gain on disposal of plant and equipment in 1H FY2024 (1H FY2023: approximately RM0.31 million and RM0.04 million respectively), partially offset by the increase of interest income of approximately RM0.09 million (1H FY2023: approximately RM0.08 million).

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

Other Information Required Pursuant to Appendix 7C of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst ("Catalist Rules")**2.1 Review of Statement of Profit or Loss and Other Comprehensive Income (Continued)****Marketing and distribution expenses**

Marketing and distribution expenses decreased by approximately RM0.09 million or approximately 4.7% from approximately RM1.87 million in 1H FY2023 to approximately RM1.79 million in 1H FY2024. This was mainly due to the decrease in staff costs of approximately RM0.09 million whereby staff cost for 1H FY2024 was approximately RM0.76 million (1H FY2023: approximately RM0.85 million).

Administrative expenses

Administrative expenses increased by approximately RM0.30 million or approximately 9.2% from approximately RM3.29 million in 1H FY2023 to approximately RM3.59 million in 1H FY2024. This was mainly due to (i) increase of depreciation of right-of-use asset of approximately RM0.53 million, (ii) increase in professional fee for legal expenses of approximately RM0.06 million, partially offset against decrease of depreciation of property, plant and equipment of approximately RM0.29 million.

Depreciation expenses

Depreciation expenses for property, plant and equipment decreased from approximately RM1.10 million in 1H FY2023 to approximately RM0.81 million in 1H FY2024 mainly due to the absence of the depreciation of building, renovation, furniture & fitting and office equipments in 1H FY2024 (1H FY2023 : RM0.29 million) as a result of the disposal of the property in September 2022.

Depreciation expenses for right-of-use assets increased to approximately RM0.53 million in 1H FY2024 (1H FY2023: Nil) due to the depreciation of right-to-use assets after the recognition of right-to-use as explained in section E. 10. Right-of-use assets above.

Other losses

Other losses increased from approximately RM0.01 million in 1H FY2023 to approximately RM0.21 million in 1H FY2024 mainly due to increase of the foreign exchange loss of approximately RM0.20 million due to the weakening of Malaysia Ringgit against foreign currencies such as United States Dollar and Singapore Dollar.

Finance costs

Finance costs increased from approximately RM0.06 million in 1H FY2023 to approximately RM0.18 million in 1H FY2024 mainly due to increase in interest of lease liabilities arising from right-to-use asset of approximately RM0.15 million, partially offset against decrease in interest on banker acceptance and letter of credit of approximately RM0.03 million.

(Loss)/Profit, net of tax

As a result of the above, the Group reported a net loss after tax of approximately RM1.80 million in 1H FY2024 as compared to a net profit after tax of approximately RM1.96 million in 1H FY2023.

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

Other Information Required Pursuant to Appendix 7C of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst ("Catalist Rules")

2.2 Review of Statement of Financial Position

Non-Current Assets

As at 31 August 2023, the Group's non-current assets amounted to approximately RM9.72 million or approximately 24.2% of the Group's total assets and comprised the following:

- (i) plant and equipment of approximately RM7.33 million or approximately 75.4% of the Group's total non-current assets. The decrease in plant and equipment of approximately RM0.77 million was mainly due to the depreciation of plant and equipment of approximately RM0.81 million, partially offset by the acquisition of plant and equipment of approximately RM0.04 million; and
- (ii) right-of-use assets of approximately RM2.39 million or approximately 24.6% of the Group's total non-current assets. The decrease in right-of-use assets of approximately RM0.53 million was mainly due to the depreciation of right-of-use assets.

Current Assets

As at 31 August 2023, the Group's current assets amounted to approximately RM30.47 million or approximately 75.8% of the Group's total assets and comprised the following:

- (i) inventories of approximately RM7.94 million or approximately 26.1% of the Group's total current assets, which comprised raw materials, work-in-progress and finished goods. The decrease in inventories of approximately RM0.68 million was mainly due to improvement of stock control;
- (ii) trade and other receivables of approximately RM4.14 million or approximately 13.6% of the Group's total current assets;
- (iii) other non-financial assets of approximately RM2.31 million or approximately 7.6% of the Group's total current assets. The decrease in other non-financial assets of approximately RM0.69 million was mainly due to (i) the reduction in the advance payment on purchases of inventories of approximately RM0.34 million as at 31 August 2023, as compared with approximately RM0.58 million as at 28 February 2023, and (ii) deposit from customer of approximately RM0.45 million in 1H FY2023 was recognised as trade receivables in 1H FY2024 after the delivery of the goods to the customers during the period under review; and
- (iv) cash and cash equivalents of approximately RM16.08 million or approximately 52.7% of the Group's total current assets. Please refer to the section entitled "Review of Statement of Cash Flows" below for the movements in the Group's cash and cash equivalents.

Non-Current Liabilities

As at 31 August 2023, the Group's non-current liabilities amounted to approximately RM3.70 million or approximately 26.4% of the Group's total liabilities and comprised the following:

- (i) deferred tax liabilities of approximately RM0.40 million or approximately 10.8% of the Group's total non-current liabilities;
- (ii) other financial liabilities of approximately RM0.08 million or approximately 2.2% of the Group's total non-current liabilities; and
- (iii) lease liabilities of approximately RM3.22 million or approximately 87.0% of the Group's total current liabilities. The decrease in lease liabilities of approximately RM1.33 million was mainly due to the payment of monthly lease liabilities of approximately RM0.22 million during the period under review.

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

Other Information Required Pursuant to Appendix 7C of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst ("Catalist Rules")

2.2 Review of Statement of Financial Position (Continued)

Current Liabilities

As at 31 August 2023, the Group's current liabilities amounted to approximately RM10.34 million or

- (i) provisions of approximately RM1.68 million or approximately 16.3% of the Group's current liabilities;
- (ii) trade and other payables of approximately RM5.30 million or approximately 51.2% of the Group's total current liabilities which consist mainly of (a) trade payables of approximately RM2.41 million, and (b) other payables of approximately RM2.89 million. The decrease in trade and other payables of approximately RM9.38 million was mainly due to (a) the interim dividend of RM8.08 million that was declared by the directors on 6 February 2023 and was paid to the shareholders on 16 March 2023, and (b) lesser purchase of inventories due to improvement of stock control, which was in line with the decrease in inventories;
- (iii) other financial liabilities of approximately RM0.92 million or approximately 8.9% of the Group's total current liabilities; and
- (iv) lease liabilities of approximately RM2.44 million or approximately 23.6% of the Group's total current liabilities.

Shareholders' equity

As at 31 August 2023, the Group's equity attributable to equity holders was approximately RM26.14 million, comprising share capital of approximately RM36.43 million, and net capital deficit of approximately RM10.29 million.

Working Capital Position

The Group reported a positive working capital position of approximately RM20.13 million as at 31 August 2023, as compared to approximately RM21.87 million as at 28 February 2023.

2.3 Review of Statement of Cash Flows

As at 31 August 2023, the Group recorded cash and cash equivalents of approximately RM12.24 million as compared to approximately RM24.42 million as at 1 March 2023.

Net cash from operating activities for 1H FY2024 amounted to approximately RM0.10 million. This was mainly due to operating cash outflows before changes in working capital of approximately RM0.37 million and net working capital inflows of approximately RM0.49 million due mainly to the decrease in inventories of approximately RM0.68 million, the decrease in trade and other receivables of approximately RM0.39 million, the decrease in other non-financial asset of approximately RM0.71 million, offset against the decrease in trade and other payables of approximately RM1.29 million and income tax paid of approximately RM0.02 million.

Net cash used in investing activities for 1H FY2024 amounted to approximately RM2.75 million. This was mainly due to the placement of fixed deposits of approximately RM2.80 million, and purchase of plant and equipment of approximately RM0.04 million, which were partially offset by interest received of approximately RM0.09 million.

Net cash used in financing activities for 1H FY2024 amounted to approximately RM9.53 million. This was mainly due to (i) dividend paid of approximately RM8.08 million, (ii) repayment of hire purchase, bankers' acceptance and lease liabilities of approximately RM1.22 million; and (ii) interest paid of approximately RM0.18 million and cash restriction in use of approximately RM0.05 million.

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

Other Information Required Pursuant to Appendix 7C of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist ("Catalist Rules")

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast or prospect statement was previously disclosed to the shareholders of the Company.

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months

The global business environment continues to be challenging and uncertain due to high inflation rates, rising interest rate, escalation of geopolitical tension, high cost of living and volatility in foreign exchange rates.

The Group will continue to remain focused on operational efficiency and controlling costs as well as to exercise prudence and vigilance in the inventory and credit management to safeguard its position.

5. Dividend

The Board of Directors of the Company has decided not to declare or recommend any dividends for 1H FY2024 (1H FY2023: Nil) as the Group conserves funds for working capital.

6. Interested person transactions

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Catalist Rules.

There were no interested person transactions exceeding S\$100,000 entered into by the Group during the current financial period reported on. However, during the current financial period reported on, the Company's dormant and wholly-owned subsidiary, Versalink Technology Sdn Bhd, had been disposed to Law Kian Siong, a director of the Company on 13 June 2023 at the disposal price of RM1,001, which amounted to less than S\$100,000.

7. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules.

The Company has received undertakings from all its Directors and executive officers in the format as set out in Appendix 7H under Rule 720(1) of the Catalist Rules.

8. Confirmation by the Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited condensed interim consolidated financial statements of the Group for the six months ended 31 August 2023 to be false or misleading in any material aspect.

On behalf of the Board of Directors

GE SHUMING
Executive Director and Chairman

LAW KIAN SIONG
Executive Director

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2023

Other Information Required Pursuant to Appendix 7C of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst ("Catalist Rules")

9. Disclosure of acquisitions (including incorporations) and realisations of shares in subsidiaries and/or associated companies since the end of the previous reporting period pursuant to Rule 706A of the Catalist Rules.

The Company's dormant and wholly-owned subsidiary, Versalink Technology Sdn Bhd ("VTSB"), with net asset value of VTSB as at 28 February 2023 of RM1,000, had been disposed to Law Kian Siong, a director of the Company on 13 June 2023 at the disposal price of RM1,001 with a loss on the disposal of RM275,999 to the Company.

The consideration, which was fully satisfied in cash, was arrived at based on arm's length negotiations on a willing buyer, willing seller basis, after taking into account the net asset value of VTSB as at 28 February 2023.

The disposal of VTSB is not expected to have any material impact on the consolidated net tangible assets and earnings per share of the Company and the Group for the financial year ending 28 February 2024.

Save for the above, the Group does not have any acquisitions (including incorporations) and realisations of shares in subsidiaries and/or associated companies since the end of the previous reporting period, up to 31 August 2023.

**BY ORDER OF THE BOARD OF DIRECTORS
VERSALINK HOLDINGS LIMITED**

GE SHUMING
Executive Director and Chairman
15th October 2023

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Goh Mei Xian, Director, ZICO Capital Pte. Ltd., at 77 Robinson Road #06-03 Robinson 77, Singapore 068896, telephone: +65 6636 4201.