

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 2021

A. Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Six Months ended 31 August 2021

		Group		
	Note	Unaudited 6 months ended 31 Aug 2021 RM'000	Unaudited 6 months ended 31 Aug 2020 RM'000	Increase/ (Decrease) + / (-) %
Revenue	4	13,588	14,099	(3.6)
Cost of sales		(10,948)	(11,773)	(7.0)
Gross profit		2,640	2,326	13.5
Interest income		105	152	(30.9)
Other income and gains		119	195	(39.0)
Marketing and distribution expenses		(1,435)	(1,785)	(19.6)
Administrative expenses		(2,675)	(2,960)	(9.6)
Other losses		(701)	(61)	nm*
Finance costs		(71)	(127)	(44.1)
Loss before income tax	6	(2,018)	(2,260)	(10.7)
Income tax credit	7	-	4	(100.0)
Loss, net of income tax		(2,018)	(2,256)	(10.5)
<u>Other comprehensive income:</u>				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating of foreign operations, net of income tax		-	-	-
Total comprehensive loss for the period		(2,018)	(2,256)	(10.5)
Loss, net of tax attributable to:				
Owners of the Company		(2,018)	(2,256)	(10.5)
Non-controlling interest		-	-	-
Loss, net of tax		(2,018)	(2,256)	(10.5)
Total comprehensive loss for the period attributable to:				
Owners of the Company		(2,018)	(2,256)	(10.5)
Non-controlling interest		-	-	-
Total comprehensive loss for the period		(2,018)	(2,256)	(10.5)
Loss per share attributable to the owners of the Company (Sen Ringgit Malaysia)				
Basic (1) and diluted (2)		(1.49)	(1.67)	

*nm denotes not meaningful

Notes:

- (1) Computed based on loss 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 per share is the same as the basic loss per share.

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Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2021

B. Condensed Interim Consolidated Statements of Financial Position as at 31 August 2021

		Group		Company	
	Note	Unaudited 31.08.2021 RM'000	Audited 28.02.2021 RM'000	Unaudited 31.08.2021 RM'000	Audited 28.02.2021 RM'000
ASSETS					
<u>Non-current assets</u>					
Property, plant and equipment	9	29,348	28,628	-	-
Right-of-use assets		-	31	-	-
Intangible asset	10	-	-	-	-
Investment in subsidiaries		-	-	55,267	57,257
Other receivables, non-current		1,090	1,090	-	-
Total non-current assets		30,438	29,749	55,267	57,257
<u>Current assets</u>					
Inventories		12,976	11,840	-	-
Trade and other receivables, current		3,870	5,549	8,653	8,376
Other non-financial assets, current		2,375	3,445	1	22
Other financial assets, current	11	2,456	2,433	-	-
Cash and cash equivalents		5,596	7,496	25	245
Total current assets		27,273	30,763	8,679	8,643
Total assets		57,711	60,512	63,946	65,900
EQUITY AND LIABILITIES					
<u>Equity</u>					
Share capital	12	62,513	62,513	62,513	62,513
(Accumulated losses)/retained earnings		(15,879)	(13,861)	1,161	2,986
Foreign currency translation reserves		8	8	-	-
Total equity		46,642	48,660	63,674	65,499
<u>Non-current liabilities</u>					
Deferred tax liabilities		173	173	-	-
Other financial liabilities, non-current	13	460	-	-	-
Total non-current liabilities		633	173	-	-
<u>Current liabilities</u>					
Income tax payable		5	11	5	11
Trade and other payables, current		6,689	6,971	267	390
Other financial liabilities, current	13	3,742	4,664	-	-
Lease liabilities, current		-	33	-	-
Total current liabilities		10,436	11,679	272	401
Total liabilities		11,069	11,852	272	401
Total equity and liabilities		57,711	60,512	63,946	65,900

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C. Condensed Interim Consolidated Statements of Changes In Equity For the Six Months ended 31 August 2021

	Unaudited	Unaudited Foreign Currency Translation Reserve	Unaudited Accumulated Losses	Unaudited Non- controlling Interests	Unaudited Total Equity
<u>Group</u>	Share Capital RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 March 2021	62,513	8	(13,861)	-	48,660
Loss for the financial period	-	-	(2,018)	-	(2,018)
Exchange differences on translation foreign operations	-	-	-	-	-
Total comprehensive loss for the period	-	-	(2,018)	-	(2,018)
Balance at 31 August 2021	62,513	8	(15,879)	-	46,642
Balance at 1 March 2020	62,513	8	(9,660)	-	52,861
Loss for the financial period	-	-	(2,256)	-	(2,256)
Exchange differences on translation foreign operations	-	-	-	-	-
Total comprehensive loss for the period	-	-	(2,256)	-	(2,256)
Balance at 31 August 2020	62,513	8	(11,916)	-	50,605

	Unaudited	Unaudited Foreign Currency Translation Reserve	Unaudited Retained Earnings	Unaudited Total Equity
<u>Company</u>	Share Capital RM'000	RM'000	RM'000	RM'000
Balance at 1 March 2021	62,513	-	2,986	65,499
Total comprehensive loss for the period	-	-	(1,825)	(1,825)
Balance at 31 August 2021	62,513	-	1,161	63,674
Balance at 1 March 2020	62,513	-	6,232	68,745
Total comprehensive income for the period	-	-	190	190
Balance at 31 August 2020	62,513	-	6,422	68,935

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D. Condensed Interim Consolidated Statement of Cash Flows For the Six Months ended 31 August 2021

	Group	
	Unaudited 6 months ended 31 Aug 2021 RM'000	Unaudited 6 months ended 31 Aug 2020 RM'000
<u>Cash flows from/(used in) operating activities</u>		
Loss before tax	(2,018)	(2,260)
Adjustments for:		
Depreciation of property, plant and equipment	1,088	1,115
Depreciation of right-of-use assets	31	256
Gain on disposal of plant and equipment	(56)	-
Interest income	(105)	(152)
Interest expenses	71	127
Plant and equipment written off	-	1
Operating cash flows before changes in working capital	(989)	(913)
Inventories	(1,136)	1,267
Trade and other receivables, net	1,460	(2,760)
Other non-financial assets	1,093	(269)
Other financial assets	(23)	967
Trade and other payables	(282)	21
Net cash flows from/(used in) operations	123	(1,687)
Income taxes paid	(29)	(90)
Net cash flows from/(used in) operating activities	94	(1,777)
<u>Cash flows used in investing activities</u>		
Purchase of plant and equipment	(1,808)	(204)
Proceeds from disposal of plant and equipment	56	-
Interest received	105	152
Net cash flows used in investing activities	(1,647)	(52)
<u>Cash flows (used in)/from financing activities</u>		
(Decrease)/Increase in other financial liabilities	(495)	972
Repayment from associate	220	216
Interest paid	(71)	(102)
Lease liabilities repayment	(33)	(277)
Decrease in cash restricted in use	(3)	(11)
Net cash flows (used in)/from financing activities	(382)	798
Net decrease in cash and cash equivalents	(1,935)	(1,031)
Cash and cash equivalents, statement of cash flows, beginning balance	5,089	4,680
Cash and cash equivalents, statement of cash flows, ending balance (Note A)	3,154	3,649

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Note A:

	Group	
	Unaudited 6 months ended 31 Aug 2021	Unaudited 6 months ended 31 Aug 2020
	RM'000	RM'000
Cash and bank balances at end of the period	5,596	5,735
Bank overdrafts	(1,474)	(1,133)
Cash pledged for bank facilities	(968)	(953)
Cash and cash equivalents as disclosed in consolidated statement of cash flow	<u>3,154</u>	<u>3,649</u>

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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 2021 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 financial statements of the Group 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 COVID-19 pandemic

The COVID-19 pandemic and the aftermath of the pandemic have caused and continue to cause disruptions resulting in uncertainties surrounding the reporting entity's business, including affecting its relationships with its existing and future customers, suppliers and employees, and which had and will continue to have an adverse effect on its financial position, financial performance of operations, cash flows and prospects for the foreseeable future. There is significant uncertainty around the medium to long term impact of the COVID-19 pandemic. Other entities are also evolving and assets held by them may have material uncertainties and / or disclaimers regarding the impact of COVID-19. These uncertainties gave rise to difficulties in making an accurate assessment by management of the future financial impacts on the reporting entity. Management will continue to closely monitor the further economic development and its impact. It is however reasonably probable that the COVID-19 pandemic will have an adverse impact on the reporting entity's revenues and results for the next reporting year, the extent of which will depend on how long the aftermath of the pandemic lasts.

2. Basis of preparation

The condensed interim consolidated financial statements for the six months ended 31 August 2021 have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore.

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 2021.

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Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2021

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 2021, 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 2021, 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 2021.

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.

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Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2021

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 2021 to 31 August 2021				
Revenue by segment				
Total revenue by segment	12,200	2,869	15,069	
Inter-segment sales	(1,481)	-	(1,481)	
Total revenue	10,719	2,869	13,588	
Cost of sales by segment				
Total cost of sales by segment	(10,482)	(1,952)	(12,434)	
Inter-segment cost of sales	1,486	-	1,486	
Total cost of sales	(8,996)	(1,952)	(10,948)	
Gross profit	1,723	917	2,640	
Recurring EBITDA				
Interest income			(933)	
Finance costs			105	
Depreciation and amortisation			(71)	
			(1,119)	
Loss before tax			(2,018)	
Income tax expense			-	
Loss, net of tax			(2,018)	
Segment assets				
	Unaudited Export RM'000	Unaudited Domestic RM'000	Unaudited Unallocated RM'000	Unaudited Group RM'000
Total assets for reportable segments	49,396	9,341	63,946	122,683
Elimination of inter-segment receivables	(1,020)	(32)	(63,920)	(64,972)
Total group assets	48,376	9,309	26	57,711
Segment liabilities				
Total liabilities for reportable segments	12,083	8,208	404	20,695
Elimination of inter-segment payables	(3,051)	(6,600)	(148)	(9,799)
Unallocated:				
Deferred tax liabilities	173	-	-	173
Total group liabilities	9,205	1,608	256	11,069

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4.1 Reportable segments (continued)

	Unaudited Export RM'000	Unaudited Domestic RM'000	Unaudited Group RM'000	
1 March 2020 to 31 August 2020				
Revenue by segment				
Total revenue by segment	12,554	3,403	15,957	
Inter-segment sales	(1,858)	-	(1,858)	
Total revenue	10,696	3,403	14,099	
Cost of sales by segment				
Total cost of sales by segment	(11,313)	(2,324)	(13,637)	
Inter-segment cost of sales	1,864	-	1,864	
Total cost of sales	(9,449)	(2,324)	(11,773)	
Gross profit	1,247	1,079	2,326	
Recurring EBITDA				
Interest income			(914)	
Finance costs			152	
Depreciation and amortisation			(127)	
Loss before tax			(1,371)	
Income tax credit			(2,260)	
Loss, net of tax			4	
			(2,256)	
Segment assets				
	Unaudited Export RM'000	Unaudited Domestic RM'000	Unaudited Unallocated RM'000	Unaudited Group RM'000
Total assets for reportable segments	49,586	10,164	69,299	129,049
Elimination of inter-segment receivables	968	(53)	(68,853)	(67,938)
Total group assets	50,554	10,111	446	61,111
Segment liabilities				
Total liabilities for reportable segments	11,454	7,993	485	19,932
Elimination of inter-segment payables	(3,145)	(6,320)	(134)	(9,599)
Unallocated:				
Deferred tax liabilities	173	-	-	173
Total group liabilities	8,482	1,673	351	10,506

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4.2 Disaggregation of Revenue

	Group 6 months ended 31 August 2021		
	Unaudited Export RM'000	Unaudited Domestic RM'000	Unaudited Group RM'000
<u>Types of goods or services:</u>			
Sales of goods	10,640	2,948	13,588
Total revenue	10,640	2,948	13,588
<u>Timing of revenue recognition:</u>			
At a point in time	10,640	2,948	13,588
Total revenue	10,640	2,948	13,588
<u>Geographical locations of customers:</u>			
Malaysia	-	2,948	2,948
Middle East	1,200	-	1,200
North America	5,917	-	5,917
Asia	3,040	-	3,040
Singapore	166	-	166
Others	317	-	317
Total revenue	10,640	2,948	13,588

	Group 6 months ended 31 August 2020		
	Unaudited Export RM'000	Unaudited Domestic RM'000	Unaudited Group RM'000
<u>Types of goods or services:</u>			
Sales of goods	10,697	3,402	14,099
Total revenue	10,697	3,402	14,099
<u>Timing of revenue recognition:</u>			
At a point in time	10,697	3,402	14,099
Total revenue	10,697	3,402	14,099
<u>Geographical locations of customers:</u>			
Malaysia	-	3,402	3,402
Middle East	1,715	-	1,715
North America	4,382	-	4,382
Asia	3,340	-	3,340
Singapore	207	-	207
Others	1,053	-	1,053
Total revenue	10,697	3,402	14,099

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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 2021 and 28 February 2021:

	Group		Company	
	Unaudited 31 Aug 2021 RM'000	Audited 28 Feb 2021 RM'000	Unaudited 31 Aug 2021 RM'000	Audited 28 Feb 2021 RM'000
Financial Assets				
Financial assets at amortised cost	10,556	14,135	8,678	8,621
Financial assets at fair value through profit and loss (FVTPL)	2,456	2,433	-	-
	<u>13,012</u>	<u>16,568</u>	<u>8,678</u>	<u>8,621</u>
Financial Liabilities				
Financial liabilities at amortised cost	<u>9,242</u>	<u>10,656</u>	<u>267</u>	<u>390</u>

6. Loss before income tax

6.1 Significant items

	Group	
	Unaudited 6 months ended 31 Aug 2021 RM'000	Unaudited 6 months ended 31 Aug 2020 RM'000
Income		
Interest income	(105)	(152)
Foreign exchange adjustment gain, net	(2)	-
Gain on disposal of plant and equipment	(56)	-
Wages subsidy scheme by Malaysia government	(45)	(170)
Expenses		
Allowance of impairment of trade receivables - collectively impaired	697	-
Depreciation of property, plant and equipment	1,088	1,115
Depreciation of right-of-use assets	31	256
Foreign exchange adjustment loss, net	-	61
Interest expenses	71	102
Interest on lease liabilities	-	25
Plant and equipment written off	<u>-</u>	<u>1</u>

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Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2021

6. Loss before taxation (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 2021	Unaudited 6 months ended 31 Aug 2020
	RM'000	RM'000
Salaries and other short-term employee benefits	792	832

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

	Group	
	Unaudited 6 months ended 31 Aug 2021	Unaudited 6 months ended 31 Aug 2020
	RM'000	RM'000
Remuneration of directors of the company	487	545
Fees to directors of the company	139	163

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 (31 August 2020: 6) persons.

b) Other receivables from related parties:

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

<u>Company</u>	Subsidiaries	
	Unaudited 31 Aug 2021	Unaudited 31 Aug 2020
	RM'000	RM'000
<u>Other receivables/(other payables):</u>		
Balance at beginning of the period - net debit	4,534	4,759
Amounts paid in and settlement of liabilities on behalf of the company	19	24
Amounts paid out and settlement of liabilities on behalf of subsidiaries	(41)	(92)
Balance at end of the period - net debit	4,512	4,691

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7. Taxation

The Group calculated the period income tax expenses using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expenses in the condensed interim consolidated statement of profit of loss and other comprehensive income are:

	Group	
	Unaudited 6 months ended 31 Aug 2021	Unaudited 6 months ended 31 Aug 2020
	RM'000	RM'000
Current income tax expenses	-	-
Overprovision in respect of prior periods	-	(4)
Total income tax credit	-	(4)

8. Net Asset Value ("NAV")

	Group		Company	
	Unaudited 31 Aug 2021	Audited 28 Feb 2021	Unaudited 31 Aug 2021	Audited 28 Feb 2021
NAV (RM'000)	46,642	48,660	63,674	65,499
Number of ordinary shares ('000)	135,000	135,000	135,000	135,000
NAV per ordinary share (Sen Ringgit Malaysia)	34.5	36.0	47.2	48.5

9. Property, plant and equipment

During the six months ended 31 August 2021, the Group acquired plant and equipment amounting to RM1,808,000 (31 August 2020: RM204,000) and disposed of plant and equipment amounting to RM531,000 at cost (31 August 2020: Nil) with the gain on disposal of plant and equipment of RM56,000 (31 August 2020: Nil).

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10. Intangible Asset

	Group	
	Unaudited 31 Aug 2021 RM'000	Audited 28 Feb 2021 RM'000
<u>Cost:</u>		
At 1 March 2020, 28 February 2021 and 31 August 2021	910	910
<u>Accumulated amortisation and impairment losses:</u>		
At 1 March 2020, 28 February 2021 and 31 August 2021	910	910
<u>Net carrying value:</u>		
At 1 March 2020, 28 February 2021 and 31 August 2021	-	-

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.

11. Other Financial Assets

		Group	
	Level	Unaudited 31 Aug 2021 RM'000	Audited 28 Feb 2021 RM'000
<u>Financial assets at fair value through profit or loss:</u>			
Money market funds and other fixed income statements			
Country: Malaysia	1	2,456	2,433

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.

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12. Share capital

	<u>The Group and the Company</u>	
	Number of shares issued 000	Share capital RM'000
<u>Ordinary shares of no par value (excluding treasury shares):</u>		
Balance at 1 March 2020, 28 February 2021 and 31 August 2021	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.

There were no changes to the Company's share capital for the current financial period since the end of the immediately preceding financial year, being the previous period reported on.

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

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

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

13. Group's borrowings and debts securities

	Group			
	Unaudited		Audited	
	31 Aug 2021	31 Aug 2021	28 Feb 2021	28 Feb 2021
Amount repayable within one year, or on demand	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Bankers' acceptance	1,709	248	1,989	1,233
Bank loans	311	-	-	-
Bank overdrafts	1,474	-	1,442	-
	<u>3,494</u>	<u>248</u>	<u>3,431</u>	<u>1,233</u>
Amount repayable after one year				
Bank loans	460	-	-	-
	<u>460</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group's secured borrowings stood at RM3.5 million and RM3.4 million as at 31 August 2021 and 28 February 2021 respectively.

The Group's secured borrowings are covered and secured by the following:

- (i) First party charge against the freehold land and buildings of the Group;
- (ii) Joint and several guarantees by the non-controlling shareholders of a subsidiary;
- (iii) Corporate guarantee for RM1,900,000 executed by Versalink Marketing Sdn. Bhd. to Jemaramas Jaya Sdn. Bhd.; and
- (iv) 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 2021

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 2021 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 period ended 31 August 2021 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 RM0.5 million or approximately 3.6% from approximately RM14.1 million for six months ended 31 August 2020 ("1H FY2021") to approximately RM13.6 million for six months ended 31 August 2021 ("1H FY2022").

The decrease was mainly due to lower revenue contribution from the domestic segment. Domestic segment recorded a lower revenue of approximately RM2.9 million in 1H FY2022, as compared to approximately RM3.4 million in 1H FY2021. The decrease in domestic revenue was mainly due to disruptions in operations from the various mandatory social and economic "lockdowns" in Malaysia resulting from the COVID-19 pandemic.

Gross profit

The gross margin improved from approximately 16.5% in 1H FY2021 to approximately 19.4% in 1H FY2022 due to higher margins from revenue under export segment due to reduction in staff cost amounting to approximately RM0.2 million.

Interest income

Interest income reduced from approximately RM0.152 million in 1H FY2021 to approximately RM0.105 million in 1H FY2022 mainly due to decrease in i) interest income from associate of approximately RM0.098 million in 1H FY2021 to approximately RM0.07 million in 1H FY2022 and ii) interest income from banks of approximately RM0.054 million in 1H FY2021 to approximately RM0.034 million in 1H FY2022.

Other income and gains

Other income and gains reduced from approximately RM0.195 million in 1H FY2021 to approximately RM0.119 million in 1H FY2022 mainly due to the absence of rental expenses waiver for showroom in 1H FY2022 (1H FY2021: approximately RM0.133 million), partially offset against the gain on disposal of plant and equipment of approximately RM0.056 million in 1H FY2022 (1H FY2021: Nil).

Marketing and distribution expenses

Marketing and distribution expenses decreased by approximately RM0.335 million or approximately 19.6% from approximately RM1.79 million in 1H FY2021 to approximately RM1.44 million in 1H FY2022. This was mainly due to the (i) reduction in staff costs of approximately RM0.24 million in 1H FY2022, (ii) 3 months depreciation of right-of-use of approximately RM0.031 million in 1H FY2022 (1H FY2021: 1 year depreciation amounting to approximately RM0.256 million) offsetting against the increase in carriage outwards amounting to approximately RM0.13 million.

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2021

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)

Administrative expenses

Administrative expenses decreased by approximately RM0.3 million or approximately 9.6% from approximately RM3.0 million in 1H FY2021 to approximately RM2.7 million in 1H FY2022. This was mainly due to reduction of (i) staff costs of approximately RM0.1 million; (ii) levy expenses of approximately RM0.1 million; and (iii) upkeep of office equipment of approximately RM0.1 million.

Other losses

Other losses increased from approximately RM0.061 million in 1H FY2021 to approximately RM0.701 million in 1H FY2022 mainly due to additional allowance for impairment on trade receivables of approximately RM0.7 million.

Finance costs

Finance costs reduced from approximately RM0.127 million in 1H FY2021 to approximately RM0.071 million in 1H FY2022 mainly due to reduction of i) letter of credit charges of approximately RM0.063 million and ii) interest on lease liabilities arising from right-of-use asset of approximately RM0.025 million offsetting against the increase in banker's acceptance, bank overdraft and term loan interest amounted to a total of approximately RM0.032 million.

Income tax expense

No income tax provision was provided for 1H FY2022 while in 1H FY2021, income tax amounted to approximately RM0.4 million as a result of overprovision for taxation in 1H FY2020.

Loss, net of tax

As a result of the above, the Group reported a net loss after tax of approximately RM2.0 million in 1H FY2022 as compared to a net loss after tax of approximately RM2.3 million in 1H FY2021.

2.2 Review of Statement of Financial Position

Non-Current Assets

As at 31 August 2021, the Group's non-current assets amounted to approximately RM30.4 million or approximately 52.7% of the Group's total assets and mainly comprised the following:

- (i) property, plant and equipment of approximately RM29.3 million or approximately 96.4% of the Group's total non-current assets; and
- (ii) other receivables of approximately RM1.1 million or approximately 3.6% of the Group's total non-current assets.

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2021

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 Assets

As at 31 August 2021, the Group's current assets amounted to approximately RM27.3 million or approximately 47.3% of the Group's total assets and comprised the following:

- (i) inventories of approximately RM13.0 million or approximately 47.6% of the Group's total current assets, which comprised raw materials, work-in-progress and finished goods;
- (ii) trade and other receivables of approximately RM3.9 million or approximately 14.2% of the Group's total current assets. The decrease in trade and other receivables of approximately RM1.679 million was mainly due to payment from customers and associate of approximately RM2.15 million and approximately RM0.22 million respectively, partially offset by the additional allowance for impairment of trade receivables of approximately RM0.697 million;
- (iii) other non-financial assets of approximately RM2.4 million or approximately 8.7% of the Group's total current assets. The decrease in other non-financial assets of approximately RM1.07 million was mainly due to the deposit paid for the purchase of plant and equipment of approximately RM1.1 million in FY 2021, which was recognised as plant and equipment in 1H FY2022.
- (iv) other financial assets of approximately RM2.5 million or approximately 9.0% of the Group's total current assets which comprise mainly investments in short to medium-term fixed income fund; and
- (v) cash and cash equivalents of approximately RM5.6 million or approximately 20.5% of the Group's total current assets.

Non-Current Liabilities

As at 31 August 2021, the Group's non-current liabilities amounted to approximately RM0.6 million or approximately 5.7% of the Group's total liabilities and comprised the following:

- (i) deferred tax liabilities of approximately RM0.005 million or approximately 27.3% of the Group's total non-current liabilities; and
- (ii) other financial liabilities of approximately RM0.5 million or approximately 72.7% of the Group's total non-current liabilities. The increase in other financial liabilities was due to drawdown of bank term loan of approximately RM0.46 million.

Current Liabilities

As at 31 August 2021, the Group's current liabilities amounted to approximately RM10.4 million or approximately 94.3% of the Group's total liabilities and mainly comprised the following:

- (i) income tax payable of approximately RM0.005 million or approximately 0.05% of the group's current liabilities;
- (ii) trade and other payables of approximately RM6.7 million or approximately 64.10% of the Group's total current liabilities which consist mainly of (a) trade payables of approximately RM3.5 million; (b) other payables of approximately RM3.1 million; and (c) amount due to associate of approximately RM0.1 million; and
- (iii) other financial liabilities of approximately RM3.7 million or approximately 35.85% of the Group's total current liabilities. The decrease in other financial liabilities of approximately RM0.922 million was mainly due to drawdown of bank term loan of approximately RM0.362 million, which was partially offset by repayment of bankers' acceptance and term loan of approximately RM1.284 million.

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2021

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)****Shareholders' equity**

As at 31 August 2021, the Group's equity attributable to equity holders was approximately RM46.6 million, comprising share capital of approximately RM62.5 million, and net capital deficit of approximately RM15.9 million.

Working Capital Position

The Group reported a positive working capital position of approximately RM16.8 million as at 31 August 2021, as compared to approximately RM19.1 million as at 28 February 2021.

2.3 Review of Statement of Cash Flows

As at 31 August 2021, the Group recorded cash and cash equivalents of approximately RM3.2 million as compared to approximately RM3.6 million as at 31 August 2020.

Net cash from operating activities for 1H FY2022 amounted to approximately RM0.1 million. This was mainly due to operating cash outflows before changes in working capital of approximately RM1.0 million and net working capital inflows of approximately RM1.1 million due mainly to the increase in net trade and other receivables and other non-financial assets amounting to a total of approximately RM2.6 million.

Net cash used in investing activities for 1H FY2022 amounted to approximately RM1.6 million. This was mainly due to purchase of plant and equipment of approximately RM1.8 million, which was partially offset by interest received and proceeds from disposal of plant and equipment totalling approximately RM0.2 million.

Net cash used in financing activities for 1H FY2022 amounted to approximately RM0.4 million. This was mainly due to (i) repayment of banker's acceptance of approximately RM0.5 million; and ii) interest paid of approximately RM0.1 million, partially offset by repayment from associate of approximately RM0.2 million.

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 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 COVID-19 pandemic still remains the major challenge and impact on economy globally and domestically. Malaysia government had imposed more stringent Standard Operating Procedures (SOP) with various phases of Movement Control Order (MCO) since June 2021 under National Recovery Plan. These MCO had impacted us with limited workforce allowed at any one time in our factory.

The Group will continue to exercise prudence and vigilance in the sales, inventory and credit management as well as to tighten management of operating expenses to safeguard its position.

5. Dividend

The Board of Directors of the Company has decided not to declare or recommend any dividends for 1H FY2022 (1H FY2021: Nil) as the Group is in a loss making position.

VERSALINK HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements for the Six Months Ended 31 August 2021

Other Information Required Pursuant to Appendix 7C of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst ("Catalist Rules")**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 conducted by the Group during the current financial period reported on.

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 undertaking from all its Directors (which include a new Director appointed and announced on 31 August 2021) 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 financial statements for the six months ended 31 August 2021 to be false or misleading in any material aspect.

On behalf of the Board of Directors

LAW KIAN SIONG
Executive Director and Group Chief Executive Officer

LAW KIAN GUAN (LIU JIANYUAN)
Executive Director

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 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.

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

LAW KIAN SIONG
Executive Director and Group Chief Executive Officer
14th October 2021

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 Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd., at 8 Robinson Road #09-00 ASO Building, Singapore 048544, Telephone: +65 6636 4201.