



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

PROPOSED SALE OF ASSETS AND BUSINESS BY AN ASSOCIATED COMPANY

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**” or “**Directors**”) of Versalink Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s 34%-owned associated company, Alca Vstyle Sdn. Bhd. (the “**Vendor**”), has on 1 October 2022 entered into a business sale agreement (the “**Business Sale Agreement**”) with Max World Idzign Sdn. Bhd. (the “**Purchaser**”, and together with the Vendor, collectively referred to as the “**Parties**”) for the proposed sale of the Vendor’s Assets (as defined below) and Business (as defined below) (the “**Proposed Sale**”).
- 1.2 Unless otherwise stated, all currency translations of Singapore dollar (“**S\$**”) and Malaysia Ringgit (“**RM**”) used in this announcement are based on an exchange rate of RM1.00 : S\$0.3096 (as extracted from Bloomberg L.P.) as at 30 September 2022, being the date immediately preceding the date of this announcement.

2. THE PROPOSED SALE

2.1 Information on the Vendor

The Vendor is a private limited company duly incorporated in Malaysia carrying on the business of trading in all kinds of high-pressure laminate and related products (the “**Business**”).

The shareholders of the Vendor are (i) the Company (34%); (ii) Stylam Industries Ltd (“**Stylam**”) (34%); and (iii) Mr Yap Aik Soon (collectively referred to as the “**Vendor’s Shareholders**”). Stylam, as well as its respective director(s) and shareholder(s), and Mr Yap Aik Soon are not related to the Company, its Directors and controlling shareholders, and their respective associates.

Based on the latest available audited financial statements of the Vendor for the financial year ended 28 February 2022 (“**FY2022**”), the audited net loss after tax of the Vendor for FY2022 was approximately RM466,000 (equivalent to approximately S\$144,000) and the audited net liability value and net tangible liability value of the Vendor as at 28 February 2022 was approximately RM1,647,000 (equivalent to approximately S\$510,000). No independent valuation was conducted on the Vendor or the Assets and the Business of the Vendor for the purposes of the Proposed Sale.

2.2 Information on the Purchaser

The information presented herein relating to information on the Purchaser is based on information provided by the Purchaser. In respect of such information, the Company has not independently verified the accuracy and correctness of the same and the Company’s responsibility is limited to ensuring that such information has been accurately and correctly extracted and reproduced in this announcement in its proper form and context.

The Purchaser is a private limited company duly incorporated in Malaysia carrying on the business of trading in furniture boards and related materials, transportation services and trading in tooling and machinery and related products.

The Purchaser, as well as its respective director(s) and shareholder(s) and their respective associates are not related to the Company, its Directors and controlling shareholders, and their respective associates.

2.3 Total Consideration

The Purchaser shall purchase (i) all equipment, furniture and vehicles as at 31 July 2022, and all stocks as at the Hand-Over Date (as defined below) (the “**Stocks**”) (collectively referred to as the “**Assets**”); and (ii) the Business (being the business of trading in all kinds of high-pressure laminate and related products), from the Vendor for an aggregate consideration of RM3,500,000 (equivalent to approximately S\$1,084,000), subject to the Adjustment (as defined below) to be determined on or before 26 October 2022 (the “**Cut-Off Date**”) (the “**Total Consideration**”). The Total Consideration is to be satisfied fully in cash by the Purchaser.

The Total Consideration was arrived at based on arm’s length negotiations between the Parties, after taking into account the net asset value of the Assets (excluding the Stocks) and the valuation of the Stocks located at Lot 978-D, Kampung Baru Sungai Buloh 47000 Sungai Buloh Selangor (the “**Sites**”).

The valuation of the Stocks located at the Sites shall be conducted by the Purchaser on or before the Cut-Off Date (the “**Valuation of Stocks**”). Based on the Valuation of Stocks, the following adjustment to the Total Consideration shall apply:

- (a) in the event the total Valuation of Stocks exceeds RM3,200,000, an upward adjustment shall be made towards the Total Consideration and such adjusted amount shall constitute the Total Consideration payable to the Vendor; or
- (b) in the event the total Valuation of Stocks is below RM3,200,000, a downward adjustment shall be made towards the Total Consideration and such adjusted amount shall constitute the Total Consideration payable to the Vendor,

(collectively referred to as the “**Adjustment**”).

Any such Adjustment determined on or before the Cut-Off Date shall be applicable to the sixth Monthly Installment (as defined below) as set out in the table below under Section 2.4 of this announcement.

2.4 Terms of Payment

- (a) On 1 October 2022, being the date on which the Purchaser shall commence and/or take over the management and operations of the Assets and the Business from the Vendor (the “**Hand-Over Date**”), the Purchaser shall immediately pay to the Vendor a deposit in the sum of RM800,000 (“**Earnest Deposit**”).
- (b) The balance of the Total Consideration amounting to RM2,700,000 shall be paid to the Vendor’s solicitors as stakeholders in six (6) monthly payments (“**Monthly Installment**”) in the sum of RM450,000 per Monthly Installment.
- (c) The payment of the Total Consideration shall be payable as follows:

	Payment	Amount (RM)	Payable Date
(a)	Earnest Deposit	800,000.00	27 September 2022
(b)	First Monthly Installment	450,000.00	26 October 2022
(c)	Second Monthly Installment	450,000.00	26 November 2022
(d)	Third Monthly Installment	450,000.00	26 December 2022
(e)	Fourth Monthly Installment	450,000.00	26 January 2023
(f)	Fifth Monthly Installment	450,000.00	26 February 2023
(g)	Sixth Monthly Installment	450,000.00 <i>subject to the Adjustment made based on the Valuation of Stocks</i>	26 March 2023
	TOTAL	3,500,000.00	

2.5 Salient Terms of the Proposed Sale

The conditions of the Proposed Sale include the following, amongst others:

- (a) the Vendor shall procure its respective directors' and shareholders' approvals at a board of directors meeting and general meeting approving the sale of the Assets and the Business by the Vendor and the transactions contemplated in the Business Sale Agreement;
- (b) within seven (7) business days from the date of the execution of the Business Sale Agreement, the Vendor shall provide and make available to the Purchaser a list of the existing employees engaged and/or employed by the Vendor ("**Existing Employees**") in relation to the Business together with the Existing Employees' current employment terms;
- (c) on or before one (1) month from the Hand-Over Date during which the Parties shall fulfill the conditions precedent, or any extended date as may be mutually agreed to in writing between the Parties, the Vendor shall assist the Purchaser in novating all insurance policies that the Vendor has subscribed to the Purchaser (if possible), failing which the Purchaser shall subscribe to a new insurance policy(ies) on or before the Cut-Off Date;
- (d) the Vendor shall serve a written notice on the landlord of each the existing tenancies in respect of the Sites as at the Hand-Over Date ("**Existing Tenancies**") specifying its intention to either (i) assign the Existing Tenancies to the Purchaser, or (ii) assist the Purchaser to enter into a new tenancy agreement with the relevant landlord. For the avoidance of doubt, the Vendor shall use their best endeavor to discuss with the landlord the assignment of the Sites or the execution of a new tenancy agreement (as the case may be) and the Vendor shall be entitled to receive and/or collect the relevant tenancy and/or utilities deposits from either (i) the assignment of the Existing Tenancies, or (ii) the execution of the Existing Tenancies arising from the execution of the new tenancy agreement between the Purchaser and the relevant landlord;
- (e) the Vendor shall arrange all payments for rental and salaries to the Existing Tenancies and Existing Employees be paid as at the Hand-Over Date, thereafter the Purchaser shall be liable to make all payments directly with the landlord and Existing Employees. For the avoidance of doubt, Existing Employees' entitlement, bonus, commission and salary for the month of September 2022, and all other monetary benefits shall be arranged by the Vendor before/on the Hand-Over Date;
- (f) the Parties hereto agree that the Purchaser shall have carried out a legal and operational due diligence review on the Assets and the Business at the Purchaser's own cost and expense on or before the due diligence period (being seven (7) days from the date of the Business Sale Agreement), and the Purchaser is satisfied on the condition of the Assets and the Business and that there is no breach of the Vendor's warranties under the Business Sale Agreement by way of a written notice;
- (g) the Vendor shall provide a letter of confirmation from its Company Secretary confirming that there shall be no debenture or negative pledge created by the Vendor as of the last day of the six (6)-month period from the Hand-Over Date, save and except for any pledges due to monies owing to the Vendor's related companies which shall be removed subject to the Total Consideration being paid in full by the Purchaser to the Vendor;
- (h) the Purchaser shall procure, and serve on the Vendor, its directors and shareholders' approvals at a board of directors meeting and general meeting approving the purchase of the Assets and the Business from the Vendor upon the terms and conditions of the Business Sale Agreement; and
- (i) the Purchaser shall have conducted and completed the Valuation of Stocks.

3. **RATIONALE FOR THE PROPOSED SALE**

In light of the challenging operating environment of the Business faced by the Vendor in recent years and the uncertain macroeconomic factors, such as the COVID-19 pandemic as well as rising interest rates and inflationary, which may impact the Business, the Vendor's Shareholders believe that the operating environment of the Business is expected to remain challenging in the near future. The Vendor's Shareholders are of the view that the Proposed Sale is a good opportunity for them to dispose a loss-making business and realise the value of the Assets at a satisfactory consideration.

The Proposed Sale is in relation to the disposal of a non-core asset of the Group and is not expected to have any material impact on the Group's risk profile and core business of the Company.

Based on the above, the Board believes that the Proposed Sale is in the best interests of the Group and shareholders of the Company. As stated under section 4 of this announcement, the Vendor intends to utilise all the net proceeds from the Proposed Sale for the repayment of the outstanding amounts owing to the Vendor's Shareholders and its related corporations, which include the Group. Such repayment to be received by the Group will improve the cashflow of the Group and provide additional working capital for the Group's operations.

4. USE OF PROCEEDS FROM THE PROPOSED SALE

Assuming that there is no Adjustment made to the Total Consideration, the estimated net proceeds from the Proposed Sale, after deducting estimated expenses to be incurred in connection with the Proposed Sale of approximately RM50,000, is approximately RM3,450,000 (the "**Net Proceeds**").

As at the date of this announcement, the Vendor intends to utilise all of the Net Proceeds for the repayment of the outstanding amounts owing to the Vendor's Shareholders and its related corporations, of which approximately RM1,200,000 will be utilised for the repayment of the outstanding amount owing by the Vendor to the Group.

5. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

The relative figures for the Proposed Sale as computed on the bases set out in Rule 1006 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") and the audited consolidated financial statements of the Group for FY2022 are as follows:

Rule 1006	Bases	Relative figures (%)
(a)	The net asset value of assets to be disposed of, as compared with the Group's net asset value	Nil ⁽¹⁾
(b)	The net profits attributable to the assets disposed of, as compared with the Group's net profits	7.0% ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation	3.2% ⁽³⁾
(d)	The number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽⁴⁾
(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable ⁽⁵⁾

Notes:

- (1) The Company has written off all its investment in the Vendor in the financial year ended 28 February 2019 ("**FY2019**").
- (2) Based on the audited loss before tax attributable to the Group's 34% stake in the Vendor for FY2022 of approximately RM162,000, and the audited loss before tax of the Group for FY2022 of approximately RM2,318,000.
- (3) Based on RM1,200,000 (equivalent to approximately S\$372,000) to be received by the Group from the Proposed Sale and the Company's market capitalisation of approximately S\$11,651,000. The market capitalisation of the Company was computed based on the issued share capital of the Company of 135,000,000 ordinary shares ("**Shares**") and the volume weighted average price of S\$0.0863 per Share on 13 September 2022 (being the last day on which the Shares were traded prior to the date of the Business Sale Agreement).
- (4) Rule 1006(d) of the Catalist Rules is not applicable to a disposal of assets.

(5) Rule 1006(e) of the Catalyst Rules is not applicable as the Company is not a mineral, oil and gas company.

As the relative figure computed pursuant to Rule 1006(b) of the Catalyst Rules involves negative figures in both the numerator and denominator, under Rule 1007(1) of the Catalyst Rules, Chapter 10 of the Catalyst Rules may still be applicable to the transaction in accordance with the applicable circumstances in Practice Note 10A of the Catalyst Rules.

Pursuant to paragraph 4.4(e) of Practice Note 10A of the Catalyst Rules, as the absolute relative figures for the Proposed Sale computed on the basis of Rule 1006 of the Catalyst Rules do not exceed 50%, and the Proposed Sale does not result in a loss on disposal, the Proposed Sale constitutes a “discloseable transaction” under Chapter 10 of the Catalyst Rules.

6. FINANCIAL INFORMATION

6.1 Book value of the Vendor

Based on the audited financial statements of the Company for FY2022, the book value of the Vendor as at 28 February 2022 amounted to Nil as the Company has written off all its investment in the Vendor in FY2019.

Assuming that the Group will receive RM1,200,000 from the Vendor upon completion of the Proposed Sale to fully settle the outstanding amount owing by the Vendor to the Group, and after deducting estimated expenses in connection with the Proposed Sale of approximately RM50,000, the Group will record a net gain on the Proposed Sale of approximately RM371,000.

6.2 Financial effects of the Proposed Sale

The *pro forma* financial effects of the Proposed Sale on the Group set out below are purely for **illustrative purposes only** and are therefore not indicative of the actual future financial position of the Company or the Group after the completion of the Proposed Sale.

The *pro forma* financial effects of the Proposed Sale have been prepared based on the audited consolidated financial statements of the Group for FY2022, and on the following bases and assumptions:

- (a) the financial effect on the consolidated net tangible assets (“NTA”) per Share is computed based on the assumption that the Proposed Sale was completed on 28 February 2022;
- (b) the financial effect on the consolidated loss per Share (“LPS”) is computed based on assumption that the Proposed Sale was completed on 1 March 2021;
- (c) the expenses to be incurred in connection with the Proposed Sale are estimated to be approximately RM50,000; and
- (d) the Group will receive RM1,200,000 from the Vendor upon completion of the Proposed Sale to fully settle the outstanding amount owing by the Vendor to the Group.

NTA per Share

The financial effect of the Proposed Sale on the NTA per Share is as follows:

As at 28 February 2022	Before the Proposed Sale	After the Proposed Sale
NTA (RM'000)	46,306	46,677
Number of Shares ('000)	135,000	135,000
NTA per Share (RM sen)	34.30	34.58

LPS

The financial effect of the Proposed Sale on the LPS is as follows:

FY2022	Before the Proposed Sale	After the Proposed Sale
Net loss attributable to shareholders of the Company (RM'000)	(2,354)	(2,028)
Weighted average number of Shares (excluding treasury Shares) ('000)	135,000	135,000
Loss per Share (RM sen)	(1.74)	(1.50)

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE PROPOSED SALE

None of the Directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Sale (other than through their respective shareholdings in the Company, if any).

8. SERVICE CONTRACTS

No person will be appointed as a Director to the Board in connection with the Proposed Sale. Accordingly, no service contract in relation thereto will be entered into between the Company and any such person.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Business Sale Agreement is available for inspection at the registered office of the Company at 8 Wilkie Road #03-01 Wilkie Edge, Singapore 228095 during normal business hours for three (3) months from the date of this announcement.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Sale, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

11. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully. There is no certainty or assurance that the Proposed Sale will be completed. The Company will make further announcements as may be necessary or appropriate to update its shareholders as and when there are any material updates in relation to the Proposed Sale. Shareholders and potential investors of the Company are advised to refrain from taking any action with respect to their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. Shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

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

LAW KIAN SIONG
Executive Director and Group Chief Executive Officer
2 October 2022

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.