

**DISPOSAL OF PROPERTY LOCATED AT 39 KAKI BUKIT INDUSTRIAL TERRACE,
SINGAPORE 416119
- GRANT OF OPTION TO PURCHASE**

1. INTRODUCTION

The Board of Directors (the "**Board**" or "**Directors**") of HS Optimus Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that HS Optimus Joinery Pte Ltd ("**HSOJ**" or "**Vendor**"), a wholly-owned subsidiary of the Company, had on 1 March 2023 granted an option to purchase ("**Option**") to a Singapore-domiciled company (the "**Purchaser**") in respect of a property located at 39 Kaki Bukit Industrial Terrace, Singapore 416119 (the "**Property**") held by HSOJ for a purchase consideration of S\$2,900,000 (excluding goods and services tax) (the "**Purchase Consideration**"), on the terms and subject to the conditions of the Option ("**Disposal**"), further details of which are set out below. The Option shall remain valid up to 4.00 pm on 14 March 2023.

The Purchaser is a company incorporated in Singapore and is in the business of Minor Construction Work and Fire Prevention and Protection Systems. The Purchaser is not related to the Group, the Directors and controlling shareholders of the Company, and their respective associates.

2. INFORMATION ON THE PROPERTY

The Property is held by the Vendor, which is a wholly-owned subsidiary of the Company and in the business of supply and installation of doors.

Nestled in the industrial pulse of Kaki Bukit Terrace, the Property is a leasehold property with a leasehold tenure of 60 years commencing from 9 January 1995. It is a 4-storey corner terrace factory with building area of approximately 722.8 square meters. The Property is currently being tenanted out.

The Property has been mortgaged in favour of Maybank Singapore Limited as security for an external term loan facility extended to HSOJ ("**Loan Facility**"). The Company is a guarantor to HSOJ's obligations under the Loan Facility.

Based on the latest announced unaudited consolidated financial statements of the Group for the 6-month financial period ended 30 September 2022, the net carrying amount of the Property as at 30 September 2022 ("**HY2023**") was approximately S\$3,155,369. Assuming that the Disposal was completed on 30 September 2022, based on the Consideration, the Disposal is expected to result in a loss on disposal of approximately S\$315,596, after deducting the estimated expenses in relation to the Disposal.

Based on the valuation of the Property conducted by an independent valuer, Premas Valuers & Property Consultants Pte Ltd, on 8 April 2022 which was commissioned by the Vendor for audit purposes ("**Valuation**"), the market value of the Property is S\$3,300,000 as of 31 March 2022, with vacant possession and free from encumbrances.

For the purpose of the Valuation, the term "market value" is defined as "the estimated amount for which a property should exchange on the date of valuation, between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion".

3. BACKGROUND ON AND SALIENT TERMS OF THE DISPOSAL

The Purchase Consideration was arrived at on a willing buyer and willing seller basis and was facilitated by a property agent of ERA Realty Network Pte Ltd (the “**Property Agent**”). The Property Agent and ERA Realty Network Pte Ltd are independent and unrelated third parties, and not related to the Group, the Directors and controlling shareholders of the Company, and their respective associates.

In arriving at the Purchase Consideration, the Group had taken into account: (i) the Valuation; (ii) general property market conditions; and (iii) the current economic environment in view of the COVID-19 pandemic aftereffects. Further details on the value of the Property are set out in section 6 of this announcement.

Under the Option, the Purchase Consideration will be satisfied by the Purchaser to HSOJ in cash as follows:

- (a) a sum of S\$29,000 (the “**Option Fee**”), which is equivalent to 1% of the Purchase Consideration, was paid by the Purchaser to HSOJ upon the grant of the Option by HSOJ;
- (b) a further sum of S\$116,000 (the “**Balance Deposit**”), which is equivalent to 4% of the Purchase Consideration, will be payable by the Purchaser upon exercise of the Option; and
- (c) the balance sum of S\$2,755,000, which is equivalent to 95% of the Purchase Consideration, will be payable by the Purchaser upon completion of the Disposal which will take place on 6 June 2023 or on such earlier date as HSOJ (as the vendor) and the Purchaser may agree (“**Completion**”).

As at the date of this Announcement, the Option has not been accepted by the Purchaser.

Under the terms of the Option, in the event that the Option is not exercised by the Purchaser in the stated manner on or before the expiry of the Option, the Option Fee will be forfeited to HSOJ.

The Property is being sold subject to the existing tenancy agreement made between HSOJ and the tenant. The Purchaser will take over the existing tenancy and all utilities from the date of Completion.

4. RATIONALE FOR THE DISPOSAL AND USE OF PROCEEDS

The re-sales and leasing market for industrial property was hit badly by the 2 years of Covid-19. The weakness experienced in the market in respect of both industrial resale and leasing continues and remains uncertain. The Group's efforts to market the Property for sale or rent were met with weak response even post-Covid-19 crisis. This was also due to the fact the Property, being industrial in nature, would attract specialised light industrial industries operators which are more restricted and dissimilar from interested buyers or tenants in a Residential or Commercial property. Having carefully considered the above, the Disposal will enable the Group to quickly realise the value of the property thereby improving the liquidity of the Group.

Although the Disposal will be below valuation and at a loss, the Board believes that the Disposal is in the best interests of the Group and the shareholders of the Company, taking into consideration that (i) the Disposal will enable the Group to not only realise the value of the Investment Property quickly, and (ii) the net proceeds (after deducting any transaction

costs) from the Disposal will be used towards full repayment of the amounts owing to the lender under the Loan Facility and improve its gearing, and (iii) it provides an opportunity to realise and exit this long held investment asset and limit its future cash burn resulting from negative rental yields, given the low rental income and the high floating mortgage rates which continue to increase.

The Disposal will preserve the future working capital and the Disposal will also result in a net estimated positive cash inflow of approximately S\$161,179 (after deducting estimated expenses in relation to the Disposal), thereby improving the liquidity of the Group.

5. FINANCIAL EFFECTS OF THE DISPOSAL

The financial effects of the Disposal set out below are purely for illustrative purposes only and do not reflect the actual future financial position of the Company or the Group after the Completion nor a projection of the future financial performance or position of the Group after completion of the Disposal.

The financial effects of the Disposal were calculated based on the audited consolidated financial statements of the Group for FY2022, being the most recently completed financial year for which financial statements are publicly available as at the date of this announcement.

5.1 Net Tangible Assets (“NTA”)

The effect of the Disposal on the NTA per share of the Group for FY2020, assuming that the Disposal had been effected as at 31 March 2022 is as follows:

As at 31 March 2022	Before the Disposal	After the Disposal
NTA (S\$'000)	62,442	62,126
Number of issued shares (excluding treasury shares and subsidiary holdings) ('000)	5,380,556	5,380,556
NTA per share (Singapore Cents)	1.16	1.15

5.2 Loss per Share (“LPS”)

The effect of the Disposal on the LPS of the Group for FY2022, assuming that the Disposal had been effected on 1 April 2021 is as follows:

FY2022	Before the Disposal	After the Disposal
Net loss attributable to the owners of the Company (S\$'000)	(1,793)	(2,109)
Weighted average number of issued shares (excluding treasury shares and subsidiary holdings) ('000)	5,380,556	5,380,556

LPS (Singapore Cents) (0.03) (0.04)

5.3 Gearing

Assuming that the Disposal had been completed on 31 March 2022, the Disposal would have the following impact on the gearing of the Group:

	Before the Disposal	After the Disposal
Total borrowings (S\$'000)	5,181	2,354
Shareholders' funds ('000)	62,442	62,442
Gearing ratio (times)	0.08	0.04

“Gearing” refers to the ratio of total borrowings to shareholders’ funds. “Total borrowings” refers to the aggregate amount of credit facilities secured from banks and financial institutions, including hire purchase, and “Shareholders’ funds” refers to the aggregate amount of issued and paid up share capital, foreign currency translation reserve and accumulated losses of the Group.

6. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE CATALIST RULES

Based on the latest announced unaudited consolidated financial statements of the Group for the HY2023, based on the Consideration, the relative figures for the Disposal computed on the relevant bases set out in Rule 1006 of the Catalist Rules are set out as follows:

Rule	Bases	Relative Figures (%)
1006 (a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.	4.67 ⁽¹⁾
1006 (b)	The net loss attributable to the assets acquired or disposed of, compared with the Group's net loss	1.80 ⁽²⁾
1006 (c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation, based on the total number of issued shares excluding treasury shares.	18.0 ⁽³⁾
1006 (d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable ⁽⁴⁾
1006 (e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not Applicable ⁽⁵⁾

Notes:

- (1) Based on the net asset value of the Property of approximately S\$3,155,369 as at 30 September 2022 and the net asset value of the Group of approximately S\$67,540,150 as at 30 September 2022.
- (2) The net losses attributable to the assets to be disposed of is computed based on net expenses directly attributable to the Property on 30 September 2022, including property tax, depreciation, fire insurance, term loan interest offset with rental income amounting to (S\$ 0.06 million), and the Group's net loss S\$3.53 million on 30 September 2022.
- (3) Based on the Purchase Consideration of S\$2.9 million and the Company's market capitalisation of approximately S\$16.1 million (being the issued ordinary share capital of the Company ("**Shares**") of 5,380,556,316 Shares (excluding treasury shares and subsidiary holdings) and the volume weighted average price of the Shares of S\$0.003 on 28 February 2023, which is the last full market day on which the Shares were traded prior to the date of the granting of the Option.
- (4) Not applicable as there was no issuance of shares.
- (5) Not applicable as the disposal is not a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.

As the relative figure for the Disposal computed on the basis set out in Rule 1006(c) of the Catalist Rules exceed 5% but is less than 50%, the Disposal constitutes a disclosable transaction under Chapter 10 of the Catalist Rules and does not require the approval of shareholders.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

8. SERVICE CONTRACT

No person is proposed or to be appointed as a director of the Company in connection with the Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9. DOCUMENTS FOR INSPECTION

Copies of the Option and the Valuation Report are available for inspection at the registered office of the Company at 2 Kallang Avenue, CT Hub #07-03, Singapore 339407 for a period of three months from the date of this Announcement.

BY ORDER OF THE BOARD

HS Optimus Holdings Limited

Gloria Wong
Executive Director
5 March 2023

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, R & T Corporate Services Pte. Ltd. ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").*

This announcement has not been examined or approved by the SGX-ST. 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.

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