

ENTRY INTO AN INVESTMENT (DEBT) AND MARKETING AGREEMENT

1. INTRODUCTION

The Board of Directors (the “**Board**” or the “**Directors**”) of HS Optimus Holdings Limited (the “**Company**” and the Company together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s wholly-owned subsidiary Ambertree Vic Mel (Lincoln) Pty Ltd (“**ABTL**”) has on 13 July 2021 entered into an Investment (Debt) and Marketing agreement (the “**Agreement**”) with 82 Westgarth Pty Ltd (as trustee for the 82 Westgarth St Unit Trust) the “**Borrower**”) pursuant to which, *inter alia*, ABTL will extend a loan of A\$2,000,000 (equivalent to approximately S\$2,040,000¹) to the Borrower to finance the Borrower’s acquisition of an existing single storey freehold warehouse building located at 82 Westgarth Street, Fitzroy, Victoria, Melbourne (the “**Property**”) with a view to subsequently developing the Property into a residential development, and ABTL will be appointed as a consultant by the Borrower to provide marketing support services in connection with the development and sale of residential units on the Property.

2. INFORMATION ON ABTL, THE BORROWER AND THE PROPERTY

2.1 ABTL

ABTL is a wholly-owned, directly-held subsidiary of the Company incorporated in Victoria, Australia. ABTL is a property and investment holding company which currently holds Lincoln Square Carlton, a five-storey freehold heritage office building located close to the central business district and the University of Melbourne.

2.2 The Borrower

The Borrower is a company incorporated in Victoria, Australia and its main business activity is property development. The directors of the Borrower are Robert Matthew Kennedy (“**RBK**”) and Liaw Sei Fong (“**LSF**”) and its shareholders are Jarrah Westgarth Pty Ltd and One Equity (Fitzroy) Pty Ltd which own 20% and 80% of entire issued and paid-up share capital of the Borrower respectively. Both RBK and LSF are also directors of Jarrah Westgarth Pty Ltd and One Equity (Fitzroy) Pty Ltd respectively. The shareholders of Jarrah Westgarth Pty Ltd and One Equity (Fitzroy) Pty Ltd are BK & D Family Pty Ltd (a family trust) of which RBK is a trustee, and LSF respectively. Each of the Borrower, RBK and LSF is an independent third party who is not related to any director or shareholder of the Company. The Group did not engage the services of, or enter into an arrangement with, any introducers or brokers in connection with the Agreement.

¹ All currency exchange rates used in this announcement are based on A\$1.00 : S\$1.02. Such exchange rate has been presented solely for information only and should not be construed as representations that the relevant amounts have been or could be converted at the rate indicated or at any other rate.

2.3 The Property

The Property currently is an existing single storey freehold warehouse building located on 82 Westgarth Street within the inner sanctum of Fitzroy bounded by Brunswick Street and Nicholson Street, and located near amenities such as Leicester Street Tram Station and Rose Street Tram Station, the Melbourne Museum, Fitzroy Primary School and the University of Melbourne. The Borrower has a call option to acquire the Property from its current owners after having placed an initial deposit amounting to 10% of the purchase price of the land, and is looking to complete the purchase of the Property with a view to developing it into a 6-storey building with 20 residential units comprising 18 apartment units and 2 townhouses. The Borrower has already obtained the requisite planning permit and requisite approvals for the development of the Property.

3. KEY DETAILS OF THE AGREEMENT

Pursuant to the Agreement:

- (a) ABTL will extend a loan for a principal sum of A\$2,000,000 (equivalent to approximately S\$2,040,000) to the Borrower at an interest rate of 9% per annum (the **"Base Component"**) for the specific purpose of financing the Borrower's acquisition of the Property. The Borrower is required to repay the Base Component within 12 months from the date of drawdown with a minimum lock-in period of 6 months; and
- (b) upon the drawdown of the Base Component, ABTL will be appointed as the Borrower's consultant to provide marketing support services to the Borrower in connection with the development and sale of residential units on the Property. Under the terms of the Agreement, in return for its provision of such marketing support services, the Borrower will pay to ABTL a performance fee (the **"Performance Component"**) in 12 equal instalments of A\$5,000 each, with each such instalment becoming due upon signing of a presale contract by the relevant purchaser and all remaining performance fees under the Performance Component being payable on the date of termination of the Agreement.

Under the terms of the Agreement, the Borrower's obligations under the Agreement are secured by the following:

- (i) a first registered mortgage over the Property;
- (ii) a corporate guarantee from the Borrower;
- (iii) personal guarantees from both directors of the Borrower; and
- (iv) a negative pledge,

each in favour of ABTL.

The Group had commissioned an independent valuation firm in Australia, Charter Keck Cramer (the **"Valuer"**), to carry out an independent desktop valuation exercise on the Property in its existing state. Based on the report issued by the Valuer (the **"Valuation Report"**), the market value of the Property in its existing state is A\$6,000,000. The desktop valuation was carried out by the Valuer on an as-is basis. In arriving at the desktop valuation, the Valuer relied on the Direct Method Comparison methodology. As such, the disbursement of the Base Component of A\$2,000,000 will result in a loan to

valuation ratio of approximately 33%, by virtue of the first registered mortgage held by the Group over the Property.

4. RATIONALE FOR THE INVESTMENT

The interest income under the Base Component and the performance fees under the Performance Component are beneficial for the Group and the Borrower's obligations under the Agreement are secured by a first registered mortgage over the Property as well as the other security listed above. The Agreement presents an opportunity to continue to build on the Group's track record in property development and investment in Melbourne and allows the Group an opportunity to partake in this comfortably sized development, with good exit clauses and to participate in the continued recovery of the Melbourne housing market from the COVID-19 pandemic.

Accordingly, the Board of Directors of the Company is of the view that (i) the Agreement is a once-off transaction carried out as part of the Group's cash management activities; (ii) the Agreement is in line with the Company's strategy of maximising returns from its available cash balance from property related investments; and (iii) the amount to be disbursed under the Base Component is not material and only forms less than 20% of the cash and cash equivalents of the Company.

5. RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES

Based on the latest announced audited financial statements for the Group for the financial year ended 31 March 2021, the relative figures for the Agreement computed on the relevant bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist of the SGX-ST (the "**Catalist Rules**") are as follows:

Rule	Relative Computation	Size of relative figure
1006(a)	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.	2.8% ⁽¹⁾
1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	Not applicable as there are no assets being acquired or disposed of by the Group in connection with the Agreement.
1006(c)	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.	9.5% ⁽¹⁾⁽²⁾
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 as no equity securities will be issued by the Company in connection with the Agreement.
1006(e)	The aggregate volume or amount of proved	Not applicable as the

	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. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.	Company is not a mineral, oil and gas company.
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Notes:

- (1) Computed based on the Base Component amounting to A\$2,000,000 (equivalent to approximately S\$2,040,000).
- (2) The Company's market capitalisation is computed based on 5,380,556,316 shares in issue as at the date of this announcement and on a volume weighted average price of S\$0.004 for each share traded on the SGX-ST on 12 July 2021 (being the full market day immediately preceding the date of the this announcement).

Based on the relevant figures computed under Rule 1006 of the Catalist Rules, as the relative figure under Rule 1006(c) exceeds 5%, the entry into the Agreement constitutes a discloseable transaction under the provisions of Rule 1010 of the Catalist Rules.

6. FINANCIAL EFFECTS OF THE AGREEMENT

For purposes of illustration, the financial effects of the Agreement are based on, *inter alia*, the following assumptions: (i) the aggregate maximum interest to be earned under the Base Component at an interest rate of 9% per annum, assuming a tenure of 12 months, (ii) the Performance Component of A\$60,000 per annum and (iii) transaction expenses are not included in the computation as the amount is not significant. In addition:

- (i) the financial effects of the Agreement are purely for illustrative purposes and should not be taken as an indication of the actual financial performance or position of the Group nor a projection of the future financial performance or position of the Group after full performance of the Agreement;
- (ii) for the purpose of computing the financial effects of the Agreement on the earnings of the Group, the full drawdown under the Agreement is assumed to have taken place on 1 April 2020;
- (iii) for the purpose of computing the financial effects of the Agreement on the NTA of the Group, the full drawdown under the Agreement is assumed to have taken place on 31 March 2021; and
- (iv) the financial effects of the Agreement are based on the Group's audited financial statements for the financial year ended 31 March 2021.

(a) Net Tangible Assets (“NTA”)

	As at 31 March 2021	
	Before Drawdown under the Agreement	After Drawdown under the Agreement
NTA	S\$73,619,329	S\$73,864,129
Number of issued shares	5,380,556,316	5,380,556,316
NTA per share (Singapore cents)	1.37	1.37

(b) Earnings per Share (“EPS”)

	For financial year ended 31 March 2021	
	Before Drawdown under the Agreement	After Drawdown under the Agreement
Net profit attributable to shareholders	S\$2,119,303	S\$2,364,103
Weighted average number of shares	5,380,556,316	5,380,556,316
Basic EPS (Singapore cents)	0.04	0.04

The Agreement is not expected to have any impact on the issued and paid-up share capital of the Company.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company), in the entry into the Agreement.

8. DIRECTORS' SERVICE CONTRACTS

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

9. INSPECTION OF DOCUMENTS

Copies of the following documents are available for inspection at the Company's registered office during normal office hours for a period of three (3) months commencing from the date of this announcement:

- (a) the Agreement; and
- (b) the Valuation Report.

In light of the current COVID-19 situation, any Shareholder who wishes to inspect the documents should contact the Company at the email address enquiries@hso.com.sg at

least three (3) working days in advance to make a prior appointment to attend at the registered office of the Company to inspect the documents.

10. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution in dealing their Shares. The Company will make the necessary announcement(s) as and when there are material developments in relation to the Agreement and other matters contemplated in this announcement. Shareholders are advised to read this announcement and any further update announcement(s) released by the Company carefully. Shareholders 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

HS Optimus Holdings Limited

Gloria Wong
Executive Director
13 July 2021

*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**"). The Sponsor has not independently verified the contents of this announcement including the accuracy or completeness of any of the figures used, statements, opinions or other information made or disclosed.*

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.

The contact person for the Sponsor is Mr Howard Cheam Heng Haw (Telephone: +65 6232 0685) at R & T Corporate Services Pte. Ltd., 9 Straits View, Marina One West Tower, #06-07, Singapore 018937.