

HS OPTIMUS HOLDINGS LIMITED

(Company Registration No. 199504141D)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUESTIONS FROM SIAS

The Board of Directors ("**Board**") of HS Optimus Holdings Limited ("**Company**", and together with its subsidiaries, "**Group**") refers to the questions received from Securities Investors Association (Singapore) ("**SIAS**") on 18 July 2023 following its review of the Company's annual report for the financial year ended 31 March 2023 ("**FYE23**") ("**FYE2023 Annual Report**").

The Company's responses to the questions posed by SIAS are set out below. Please note that the questions and responses should be read in conjunction with the FYE2023 Annual Report.

Q1. Would the board/management provide shareholders with greater clarity regarding the following operational and financial matters:

S / No.	Question	Company's Response
(i)	Door manufacturing and distribution: Considering the significant weakness observed in the main export market, the United Kingdom, can management elaborate on their efforts and progress in developing new markets and acquiring new customers?	<p>The Company's plans to develop new markets and acquire new customers include, but are not limited to the following:</p> <p><u>1. New Markets</u> The Group's progress in developing new markets has been hampered by the onset and after-effects of the COVID-19 pandemic. When borders re-opened, and manufacturing disruption ended, the primary objective of the Group was to deal with its backlog of orders and to increase the size of its order book. The Company is taking steps to re-enter the Singapore market with its B2B and OEM business models, and intends to make use of its 228,000 square feet manufacturing facility located in Johor to pursue tenders with other major door suppliers and large construction firms, save that it has no intention at this time to provide installation services in Singapore.</p> <p><u>2. New Product Development</u> The Company has, in keeping up with the latest market trends, designed (a) different doors of varying price points for increased accessibility to its customers, and (b) new modern and bespoke doors to create value for customers and keep ahead of competition, thereby attracting a larger market share and to keep ahead of the growing and changing market demand.</p> <p><u>3. Acquiring New Customers</u> This is spearheaded by our Chief Marketing Officer ("CMO") and our Executive Directors. We are utilizing our 228,000 square feet manufacturing facility to scale up operations to attract wholesalers and door suppliers. The Company would like to highlight that while the Group has acquired new customers with orders</p>

S / No.	Question	Company's Response
		placed for 2024, the Group is in the process of cultivating and solidifying a long-term relationship with these customers, and that any future orders placed will be dependent on the Group's performance in fulfilling such orders.
	What is the utilisation rate of the group's door manufacturing facility, and is it significantly below the breakeven point?	In relation to the utilization rate of the factory, sales and orders for FYE23 is at a 5-year low, hence this translated to 5-year low factory utilization rate of less than 50%. The Door business was not able to breakeven in FYE23 and on the back of Wood revenue of S\$10.8 million, the segment loss was S\$0.9 million. Please refer to Note 31 (Segment information) of the financial statements in the FYE2023 Annual Report which provides information on the financial performance of each business segment.
	Can management shed light on the specific measures being implemented to address the challenges faced during this period of market decline and ensure a more resilient performance for the door segment?	<p><u>1. Maintain Market Share</u> The Company has made a concerted effort to maintain its status as a trusted, reliable and resilient supplier of door products to customers mainly in the United Kingdom, a position that has been built up by over 10 years of customer relationships and dealings. Our immediate action for FYE23 was to standby them and support them and help them through what was a poor and nightmarish FYE23, poor consumer demand, continued Ukraine-Russian war and high inflation in the United Kingdom. This can be seen in both our revenue and lower GP margin. We remain business-minded in our dealings, but we also support them if commercially feasible, and are hopeful for an upturn in 2024, where and when we will still be there.</p> <p><u>2. Cost-savings</u> During FYE23, the Wood business had embarked on certain cost-savings measures such as but not limited to; (i) Lowering direct labor in relation to lower orders and sales, (ii) Headcount freeze which meant no increased hiring, replacement for workers who left, unless approved by management and a focus on piece rate compensation, and (iii) the Continuous exercise to mitigate the escalating price of raw materials by changing supply sources, renegotiation and sourcing for more local component where possible.</p>
(ii)	Property development (Indonesia): Although the group has obtained initial permits for the project in South Jakarta, management is currently exploring available options to effectively monetise the value of this significant land asset. Can the board provide an update on the status of deliberations regarding the potential	Please refer to the Company's announcement dated 26 July 2023 updating shareholders on the Group's property in Jakarta.

S / No.	Question	Company's Response
	divestment of the land? What are the key factors being considered in the decision-making process?	
(iii)	Property investment (Lincoln Square): Can management confirm that the fully refurbished heritage building remained unoccupied throughout the entire year due to challenges in securing a single tenant?	Yes. While there were enquiries made of the property, there were no acceptable offers or agreements provided. The strength seen in Melbourne's residential and Melbourne's university accommodation market did not cascade down to Melbourne's commercial office leasing market in the area of Carlton, where Lincoln Square is located.
	When can shareholders expect the board/management to make a decision regarding the leasing strategy, specifically considering a potential shift to a multi-tenant approach?	Please refer to the Company's announcement dated 26 July 2023 updating shareholders on Lincoln Square.

Q2. *In the chairman's statement, it was highlighted that the group has recently entered into its first secured property financing arrangement, providing a loan of A\$400,000 to a borrower for a one-year term at an interest rate of 12% per annum. The loan is intended for working capital purposes and is secured by a first charge mortgage on an unencumbered freehold commercial property situated in Geelong, Victoria.*

S / No.	Question	Company's Response
(i)	Can management provide further details on the customer acquisition strategy for this new business line?	The Group intends to rely on its own network, mortgage brokers, property agents, investment firms and venture capitalist firms and referrals in relation to its customer acquisition strategy.
(ii)	Could management provide an overview of the customer profile that the Property Financing Business is targeting?	Please refer to the letter to shareholders dated 26 November 2021 in relation to the proposed diversification of the Group's business into the secured property financing business which was approved by shareholders at the extraordinary general meeting of the Company. Under the mandate for the secured property financing business approved by shareholders, the target customers are registered corporations or LLPs with fair collateral or unencumbered residential, commercial, or industrial property and directors/shareholders with fair net worth and financial standing to provide secured personal guarantees located in Singapore and Australia.
(iii)	What criteria were used to evaluate the borrower, and what is the loan-to-value ratio employed in this loan?	In considering the extension of the loan, the Group assessed the value and yields presented by various secured property financing opportunities in Australia to be more compelling and commercially attractive than the opportunities which it has evaluated in Singapore at that point of time, and was bolstered by its familiarity with, and track record in, the Australian property market. Due to the commercially sensitive nature of the information relating to the loan-to-value ratio, the Company is unable to disclose the same. In evaluating the borrower, the Group had:

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		<p>a) <u>Due Diligence</u>: Prior to extending the loan, conducted comprehensive due diligence checks including evaluating the borrower's use of proceeds of the loan to be granted in the context of the borrower's the industry to ensure that the loan is being used for the purpose stipulated by the borrower. The Group due diligence also conducted the relevant and necessary due diligence checks on the financial standing and insolvency searches on the borrower and its shareholder. Further steps to ascertain the credit worthiness of the borrower included offsite inquiries on possible payment defaults and checks on their financial statements.</p> <p>b) <u>Borrower status</u>: The borrower is an Australian incorporated company and is not an individual or non-Australian incorporated entity.</p> <p>c) <u>Guarantees</u>: The Company also procured from the borrower (i) a first mortgage over a freehold commercial property as collateral, (ii) personal guarantees from the shareholder and director of the borrower.</p>
	<p>How does the management assess the borrower's ability to generate sufficient cash flow for repayment?</p>	<p>Please refer to the response above for the factors management considered in assessing the borrower's ability to generate sufficient cash flow for repayment of the loan.</p>
(iv)	<p>How familiar is the group with the laws and regulations pertaining to property financing and the rights of a lender in Australia?</p>	<p>The Group, which has had a presence in Australia since 2014, has commercial familiarity with the laws and regulations pertaining to property financing and is advised by a network of professionals including but not limited to (i) Litigation lawyers (ii) Conveyancing Lawyers (iii) Auditing firms (iv) CPA/CA Accounting firms, (v) Architects, (vi) Leading Realtors and Real Estate Agencies and other professionals. The Group is advised as in its capacity as a lender as well as its capacity as a property developer, property investor, securitized property financier and lessor in Australia.</p>
(v)	<p>With an interest rate of 12% per annum charged on the loan, does the board perceive this loan as carrying a high level of risk?</p>	<p>The Board takes a careful and calibrated approach and follows the parameters set out in the mandate granted by shareholders for the secured property financing business in evaluating each loan application or packet. The 12% interest per annum was arrived at on an arm's length basis, taking into consideration other commercial factors, and was procured with the necessary personal guarantees and a strong collateral in the form of a first charge by the Group on the</p>

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		unencumbered freehold commercial property in Melbourne, Australia. The Company perceives this particular loan to be only moderately risk level and in fact, a strong commercial deal and opportunity given the above factors.

The chairman has stressed that the group is familiar with, and has a track record in, the Australian property market. While the group has received full repayment of the principal sum of A\$2 million related to the Investment (Debt) and Marketing Agreement, the group is still looking to lease out Lincoln Square (which has a carrying value of \$12.7 million (carried at cost less accumulated depreciation and impairment)).

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(vi)	Could the company quantify the group's track record in Melbourne/Australia regarding its ability to create and monetise value for shareholders?	<p>(i) The Group first participated in Australia as far back as 25 September 2014 whereby the Group announced an incorporation of an Australian subsidiary which acquired the property located at 301 Flinders Lane, Melbourne, Victoria for a total consideration of A\$23.6 million for a 100% stake in the building, located near the financial district along Collins Street and which was fully leased to a blue-chip tenant, Victoria University. On 21 December 2016, the Group announced the disposal of 301 Flinders Lane for a total consideration amounting to A\$34.2 million.</p> <p>(ii) On 6 March 2015, the Group announced the acquisition of its second property in Melbourne, Australia located at Lincoln Square, Carlton for a consideration of A\$12.5 million.</p> <p>(iii) On 13 July 2021, the Group announced the entry into an Investment (Debt) & Marketing Agreement ("IDMA") amounting to A\$2.0 million with 82 Westgarth Pty Ltd, a Melbourne based property developer to provide funding for the developer to complete the land acquisition with a view to develop 18 apartments and 2 townhouses in the development known as 82 Westgarth, located within the inner sanctum of Fitzroy bounded by Brunswick Street and Nicholson Street and located near amenities such as Leicester Street Tram Station, the Melbourne Museum, Fitzroy Primary School and the University of Melbourne in the up-and-coming district of Fitzroy, Melbourne. The ROI achieved on this Investment opportunity including fees was positive and exceeded the 12% per annum generated as describe below.</p>

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		<p>(iv) In FYE23, the Group also expanded its nascent secured property financing business line beyond Singapore to Australia with a A\$400,000 loan to an Australian incorporated company for a term of one year at an interest rate of 12% per annum, for working capital purposes and secured by a first charge mortgage over an unencumbered freehold commercial property located in Geelong, Victoria.</p>

Q3. The attendance of directors at board and board committee meetings is shown on page 15 of the annual report and reproduced below.

Board members	AGM		Board		AC		RC		NC	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Pengiran Muda Abdul Qawi	1	1	6	4	4	2	1	1	1	1
Wong Gloria ⁽¹⁾	1	1	6	6	4	4	1	1	1	1
Chia Fook Sam ⁽²⁾	1	1	6	6	4	4	1	1	1	1
Mark Leong Kei Wei	1	1	6	6	4	4	1	1	1	1
Vivien Goo Bee Yen	1	1	6	6	4	4	1	1	1	1
Ang Wee Ming	1	1	6	4	4	4	1	1	1	1
Lim Li Hui	1	1	6	6	4	4	1	1	1	1

Notes:

⁽¹⁾ Ms Wong Gloria is not a member of the AC, NC and RC. Upon invitation, Ms Wong Gloria attended the AC, NC and RC meetings.

⁽²⁾ Mr Chia is not a member of the AC, NC and RC. Upon invitation, Mr Chia attended the AC meetings.

(Source: company annual report)

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(i)	What were the extenuating circumstances that led the chairman, Pengiran Muda Abdul Qawi, and Ang Wee Ming to be absent from a third of the board meetings?	Per the terms of reference of the Board, the Board is scheduled to meet every quarter to review the financial performance of the Group and may meet on an ad-hoc basis subject to the requisite notice being provided by the company secretary. The number of Board meetings reflected in the above table includes two ad-hoc meetings held by the Board, which Pengiran Muda Abdul Qawi and Mr Ang Wee Ming were unable to attend due to the shorter than usual notice provided which clashed with their prior engagements. Notwithstanding their absence from the two ad-hoc board meetings, each Director attended and participated at the quarterly scheduled board meetings, which were recorded and verified by the Company Secretary.
(ii)	Can the company confirm that the two directors did not participate remotely through voice calls or video conferencing?	The attendance of directors at the Board meetings is recorded and verified by the Company Secretary. Pengiran Muda Abdul Qawi and Mr Ang Wee Ming did not participate at the two ad-hoc meetings convened and they did not attend remotely through voice calls or video conferencing.
(iii)	How effective are the two directors in the decision-making process and overall governance of the company?	In accordance with Principle 5 of the Code and Report on Corporate Governance, the Board undertakes a formal annual assessment of its effectiveness, and that of each of its board committees and individual directors. The NC has reviewed and is satisfied with the contributions and performance (which considered factors such as attendance, preparedness and participation) of Pengiran Muda Abdul Qawi and Mr Ang Wee Ming for FYE23.

S / No.	Question	Company's Response
(iv)	Similarly, has the board's effectiveness been impaired as a result and have the directors been able to discharge their duties and responsibilities?	The NC has reviewed and is satisfied with the contribution by individual Directors to the overall effectiveness of the Board, which has not been impaired as a result of the absence of Pengiran Muda Abdul Qawi and Mr Ang Wee Ming from two Board meetings.
(v)	Would Pengiran Muda Abdul Qawi and Ang Wee Ming be committing themselves to attend the board (and board committee) meetings?	All directors endeavour to attend quarterly and ad-hoc Board meetings. In this regard, the Company will work together with the Company Secretary to provide sufficient notice of any ad-hoc Board meetings to be convened to all directors in a timely manner.
(vi)	How can the company secretary and the company work together with the board to improve the attendance of directors at board meetings?	Please see the response to (v) above.

BY ORDER OF THE BOARD
HS Optimus Holdings Limited

Gloria Wong
Executive Director
26 July 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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