

INCREDIBLE HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199906220H)

QUERIES FROM THE EXCHANGE IN RELATION TO THE PROPOSED ACQUISITION BY CENTRAL CAPITAL APS, A WHOLLY-OWNED SUBSIDIARY OF INCREDIBLE HOLDINGS LTD., OF THE ENTIRE SHARE CAPITAL IN HB 2021 APS

The Board of Directors of Incredible Holdings Ltd. (the “Company” and together with its subsidiaries the “Group”) refer to its earlier announcement 9 June 2021 entitled “ENTRY INTO OF SHARE SALE AND PURCHASE AGREEMENT IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE SHARE CAPITAL IN HB 2021 APS BY INCREDIBLE HOLDINGS LTD.” and 11 June 2021 entitled “Response to SGX Queries” (the “Earlier Announcements”).

Unless otherwise defined, the capitalized words and phrases used herein shall have the same meanings as ascribed to them in the Earlier Announcements.

The Company has on 16 June 2021 received below queries from the Singapore Exchange Securities Trading Limited (the “Exchange”) in relation to the Proposed Acquisition.

1. Considering the following:

- (i) Target had not commenced operations after renovation of the store, i.e. there is no track record of sales of the Target;**
- (ii) Total assets value of the Target is approximately S\$230,000, while it is in net liabilities position of approximately S\$5,000;**
- (iii) The Target has not appointed relevant persons with the expertise to run the operations of the Target yet;**
- (iv) In terms of due diligence, the Company has only performed a company search to confirm the details of the Target and sought for legal advice in relation to the lease;**

Questions:

- (a) The board had explained that the consideration is fair as the Target comes with significant leasehold improvement and renovations and is located in a prime area. However, we note that the Target has not commenced operations and the total leasehold improvements capitalized is only approximately S\$87,000. The consideration of the Proposed Acquisition of approximately S\$1,128,000 is 13x that of the leasehold improvements. Moreover, the Group is expected to record a goodwill of S\$1.1m following the proposed acquisition.**

Please elaborate on how the Board arrived at the consideration of approximately S\$1,128,000, why the board feels this is reasonable?

Company’s Response:

As stated in the response to query 2 dated 15 June 2021, the store is renovated in good quality furnishings and fittings armed with bullet-proof display cabinets and drawers as well as advanced security system. The cost of the renovation and security system attached were not recorded in the management accounts of the Target because these fixtures existed before the Target took over the lease of the store from the previous tenant. The leasehold improvements capitalized and recorded in the Target are additions. Based on our internal cost estimates and assessment, the Company would have to spend a few million of DKK to set up a store with the same security standard and quality. As stated in the response to query 3 dated 15 June 2021, pursuant to the Lease Act in Denmark, there is a term of “not limit in time” for the lease duration, it would not be easy to rent a store in prime location in the largest city in Denmark.

- (b) S\$1.128m represent 135% of the Group’s net asset balance of S\$0.84m as at 31 December 2020. Pls elaborate on why no valuation was commissioned.**

Company’s Response:

As stated in the response to query 2 dated 15 June 2021, the Company did not consider the valuation to be necessary as the Target has yet to start operations and therefore, there is no historical track record to form the basis of the valuation. After the completion of rights cum warrants issue in early February 2021, the net asset value of the Group was

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approximately S\$15 million as at 30 April 2021. The consideration of S\$1.128 million represents about 7.52% of the Company's net asset value.

- (c) Please provide the Board's confirmation and justifications why the Proposed Acquisition is in the best interests of the shareholders and Company.**

Company's Response:

The proposed acquisition is in line with the Company's core strategy of expanding its luxury goods trading business. It has been disclosed in the Company's Annual Report 2020 that whilst Hong Kong will be the main market, the Group does not rule out possibilities of operating the Luxury Goods Business in other geographical areas as it deems fit. The Company is actively seeking opportunities to expand its luxury goods trading business.

- (d) The Company responded that the Target's assets comprised S\$81k of other receivables. Given that the Target has yet to commence operations and is still undergoing renovations, what do these receivables relate to?**

Company's Response:

The other receivables mainly relate to 1) VAT ("value added tax") paid (DKK216,211 or equivalent to approximately S\$47,000) which could be claimed back if the VAT payable is more than the VAT receivable; 2) prepayment of rent for May 2021 (DKK95,000 or equivalent to approximately S\$21,000); 3) prepayment of energy contribution for May 2021 (DKK16,000 or equivalent to approximately S\$3,500) & 4) amount due from shareholders (DKK40,000 or equivalent to approximately S\$9,000).

- (e) Does the Target have any inventory of the luxury goods it intends to sell?**

Company's Response:

The Target does not have any inventory of the luxury goods to sell at the moment. The Company intends to sell luxury goods such as branded luxury watches after the completion of the proposed acquisition.

- 2. While Mr Heilesen originates from Denmark and is familiar with Denmark's business conditions, the Company has not operated in Denmark before this acquisition, and the Target does not have an established track record and personnel familiar with the conduct of the business.**

In view of the above, please elaborate on why the Proposed Acquisition does not represent a change in risk profile of the Listco, taking into account requirements in Chapter 10, Appendix 10 A and Practice Note 10A. As such, please explain why the Proposed Acquisition will not be subject to shareholders' approval prior to completion.

Company's Response:

It does not represent a change in risk profile as the Company is engaging the current business model into a new jurisdiction for expansion. The business is within the business of its luxury goods trading business and is not expected to change the risk profile of the Listco. This is a discloseable transaction in Chapter 10. There is currently no revenue generated and the consideration of S\$1.128 million represents about 7.52% of the Group's net asset value (based on management accounts as at 30 April 2021).

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- 3. The total liabilities of the Target was DKK1,081,058 (equivalent to approximately S\$235,000) which is amount due to intercompany who settled all the leasehold improvement and deposit as mentioned in query 8(a) on behalf of the Target. Please disclose who is the intercompany and what was the loan from intercompany used for.**

Company's Response:

The intercompany namely LHA ApS which is Seller 2 who settled all the leasehold improvements and deposit on behalf of the Target.

- 4. Please explain the relationships and history between Seller 1 (Peter Jens Bech) and Seller 2 (Lasse Holm Andersen), and ED, Mr Heilesen. Please provide the background of Seller 1 and Seller 2 as well.**

Company's Response:

Seller 1 and Seller 2 are experienced jewellers and watchmakers in Denmark. Mr Heilesen relies on his network in Denmark for introductions and was introduced to the Sellers through common business acquaintances. Seller 1 and Seller 2 are independent third parties and they are not related to any Directors or shareholders of the Company.

- 5. The Company responded the only due diligence done was a company search and legal advise on the lease. Please explain why the Board is of the view that no due diligence is required on doing business in a new jurisdiction (Denmark), business prospects and competitive landscape of the luxury retail market in Denmark, financial forecast of this business, etc.**

Company's Response:

The Company has displayed a track record and experience in the trading of luxury goods business since 2018, the Company is capable and confident of engaging and operating the core business into a new country where the Executive Director (i) originated from Denmark, (ii) is a native speaker of Denmark and (iii) is familiar with Denmark's business conditions. From an acquisition cost management perspective, If the Company were to conduct a comprehensive market and business study on the luxury retail market in Denmark for the purchase consideration of S\$1.128 million, this would increase the overall costs of the acquisition and may prolong the acquisition process potentially resulting in more costs.

By Order of Incredible Holdings Ltd.

Christian Kwok-Leun Yau Heilesen
Executive Director
17 June 2021

This announcement has been reviewed by the Company's Sponsor, Hong Leong Finance Limited. It has not been examined or approved by the Exchange and the Exchange 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 Vera Leong, Vice President, Hong Leong Finance Limited, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, telephone (+65) 6415 9881.