

Incredible

Incredible Holdings Ltd.

(Incorporated in the Republic of Singapore)
(Company Registration Number 199906220H)

QUALIFIED OPINION BY THE AUDITOR ON THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Pursuant to Rule 704(4) of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst, the board of directors (the “Board”) of Incredible Holdings Ltd. (the “Company”, together with its subsidiaries, referred to as the “Group”) wishes to announce that the Company’s independent auditor, Baker Tilly TWF LLP (the “Auditor”), has in its Independent Auditor’s Report dated 7 Jun 2022 (the “Independent Auditor’s Report”), included a qualified opinion (“Qualified Opinion”) in relation to the Group’s audited consolidated financial statements for the financial year ended 31 December 2021 (“FY2021”).

The extract of the Basis for Qualified Opinion from the Auditor’s Report are as follows:-

(i) Impairment of website development costs

As disclosed in Note 14(a) to the financial statements, the cost of the Group’s and the Company’s website development costs amounted to \$1,274,814 as at 31 December 2021. During the financial year, management performed an impairment assessment to determine the recoverable amount of the website development costs. An impairment loss of \$1,274,814 was recognised to write down the website development costs to the recoverable amount of \$nil in the Group’s and the Company’s financial statements.

The recoverable amount of the website development costs is determined based on value-in-use (“VIU”) calculation using cash flows projections covering a period of five years. The key assumptions and inputs used in the VIU calculation are disclosed in Note 14 to the financial statements.

Based on the information available to us, we were unable to obtain sufficient appropriate audit evidence with respect to the assumptions used by management in its impairment assessment of website development costs. Accordingly, we were unable to conclude whether the net carrying amount of the website development costs as at 31 December 2021 and the impairment loss recognised for the financial year were fairly stated.

(ii) Allocation method of purchase discount and net realisable value of specific inventories

On 20 December 2021, HB 2021 ApS (“HB2021”), a wholly owned subsidiary of the Group entered into an asset purchase agreement to purchase watches and jewellery from a company for an agreed consideration of DKK9,791,269 (equivalent to \$2,016,080). Management represented that the inventories were purchased at a discount of DKK1,383,382 (equivalent to \$284,846) based on the carrying costs provided by the vendor and management has allocated the aforementioned discounts proportionately based on their respective carrying costs to determine the cost of purchase for each item of inventories. Total costs of purchase of watches and jewellery have been determined to be DKK6,454,892 and DKK3,336,377 (equivalent to \$1,329,100 and \$686,980) respectively.

Subsequently, on 11 May 2022, HB2021 entered into a jewellery purchase agreement with another company to sell the entire jewellery from the aforementioned purchase valued at DKK3,336,377 (equivalent to \$686,980) for a consideration of DKK2,474,965 (equivalent to \$509,610). Accordingly, management has written-down the carrying amount of these specific inventories as at 31 December 2021 by DKK861,412 (equivalent to \$182,815).

Based on the information available to us, we were unable to obtain sufficient appropriate audit evidence to assess the appropriateness of proportionately allocating the purchase discounts to derive the costs of purchase of watches and jewellery by HB2021 of \$1,329,100 and \$686,980 respectively. Accordingly, we were unable to satisfy ourselves with respect to the appropriateness of inventories written down of \$182,815 recognised in profit or loss during the financial year and whether the net carrying amount of inventories purchased from the aforementioned asset purchase agreement held by HB2021 and the Group as at 31 December 2021 of \$1,838,710 is fairly stated.

(iii) Acquisition of HB 2021 ApS

As disclosed in Note 15(ii) to the financial statements, the Group completed the acquisition of 100% equity interest in HB2021 during the financial year at a total consideration of DKK5,200,000 (equivalent to \$1,070,709). Goodwill arising from the acquisition of HB2021 amounted to \$1,062,109, which represents the excess of purchase consideration over the fair value of net identifiable assets acquired of \$8,600. As disclosed in Note 14(b), the Group recognised full impairment loss on the goodwill arising from acquisition of HB 2021 in the Group's profit or loss during the current financial year. In addition, the Company also recognised full impairment loss on the amount due from HB 2021 amounted to \$1,198,709 in the Company's profit and loss during the current financial year.

Based on the Company's announcement on the SGXNet with respect to the acquisition of HB2021, the purchase price is determined after taking into consideration the significant leasehold improvements and renovations which are all in good quality and with security systems, and the location of the store is located in a prime location in the largest city in Denmark. There are also significant time savings by acquiring HB2021 instead of setting up a shop.

Subsequent to the acquisition, HB2021 sub-leased a portion of its leased property to a company that is owned by the Executive Director of the Company at a monthly lease payment of DKK50,000 (equivalent to \$10,611) effective from 1 September 2021. The sublease has no contractual term and is cancellable by either party by giving three months notice period. As mentioned in item (ii) of our Basis for Qualified Opinion, HB2021 also entered into an asset purchase agreement to purchase watches and jewellery amounting to \$2,016,080 on 20 December 2021.

Based on the responses and explanations provided relating to the acquisition of HB2021, we were unable to obtain sufficient appropriate audit evidence on the business rationale for the Group's acquisition of HB2021. Consequently, we were unable to determine whether any additional adjustments to and/or disclosures in the financial statements may be necessary with respect to this acquisition and investment.

(iv) Company level - Loan to a subsidiary and amount due from subsidiaries

As disclosed in Note 18 to the financial statements, the loan to a subsidiary and amount due from subsidiaries as presented in the Company's statement of financial position amounted to \$23,444,584 and \$1,510,980 respectively as at 31 December 2021. Included in these amounts are loan to Incredible Trading Limited of \$23,444,584 and amount due from a subsidiary, Incredible Watch & Jewellery Pte. Ltd. of \$312,271. The remaining amount due from subsidiary of \$1,198,709 relate to HB 2021 (refer to item (iii) of our Basis for Qualified Opinion). Based on the impairment assessment performed by management, full impairment allowance of \$23,444,584 and \$312,271 have been made against the loan to a subsidiary, Incredible Trading Limited and amount due from subsidiary, Incredible Watch &

Jewellery Pte. Ltd. as at year end. Impairment allowances charged to current year's profit and loss in respect these balances amounted to \$10,922,782 and \$312,271 respectively.

Based on the information available to us, we were unable to obtain sufficient appropriate audit evidence with respect to the assumptions used by management in its impairment assessment of loan to a subsidiary and amount due from subsidiaries. Accordingly, we were unable to conclude whether the net carrying amount of the trade and other receivables of the Company as at 31 December 2021 and the impairment loss recognised for the financial year were fairly stated.

The Board wishes to highlight that, in the Independent Auditor's Report, except for the possible effects of the matters described in the Basis for Qualified Opinion section for our report, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended 31 December 2021.

By Order of the Board
Incredible Holdings Ltd.

Christian Kwok-Leun Yau Heilesen
Executive Director

7 June 2022

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.