

Incredible

Incredible Holdings Ltd.

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

DISCLAIMER OF OPINION BY THE AUDITOR ON THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Pursuant to Rule 704(4) of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist, 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, RT LLP (the “**Auditor**”), has in its Independent Auditor’s Report dated 29 July 2023 (the “**Independent Auditor’s Report**”), included a disclaimer of opinion (“**Disclaimer Opinion**”) in relation to the Group’s audited consolidated financial statements for the financial year ended 31 December 2022 (“**FY2022**”).

The extracts of the basis for the Disclaimer Opinion from the Auditor’s Report are as follows:-

“Notice of Compliance (“**NOC**”) issued by Singapore Exchange Regulation (“**SGX RegCo**” or the “**Exchange**”)

*On 27 June 2022, the Company received a NOC from the Exchange requires the Company to appoint a suitable joint independent reviewer (“**Joint Independent Reviewer**”) to perform a holistic review of certain corporate actions and fund-raising exercises announced by both the Company and Ntegrator Holdings Ltd (F.K.A. Watches.com Limited) (“**Ntegrator**”), a company listed on Catalist.*

*Mr Christian Kwok-Leun Yau Heilesen (“**Mr Heilesen**”) is the Executive Director of both the Company and Ntegrator respectively. Furthermore, the Company and Ntegrator have substantially similar members on their Audit Committee and Nominating Committee.*

Relevant corporate actions and fund-raising exercises under the scope of review by the Joint Independent Reviewer are:

- 1. Acquisition of 100% equity interests in HB 2021 ApS by the Company;*
- 2. Acquisition of 100% equity interests in Billion Credit Financial Company by the Company;*
- 3. Acquisitions of 42% and 55% equity interests in Golden Ultra Limited by the Company and Ntegrator respectively from Mr Heilesen; and*
- 4. Acquisitions of 15% and 85% equity interests in New Genesis Development Limited by the Company and Ntegrator respectively.*

*The Exchange directs the Joint Independent Reviewer to review and assess (i) the circumstances that led to these transactions and corporate actions; (ii) whether these transactions and corporate actions were entered into based on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders; (iii) whether these transactions and corporate actions make commercial sense; and (iv) how these transactions and corporate actions, if undertaken, will support each of the Company’s and Ntegrator’s goals and plans (the “**Independent Review**”).*

At the date of our report, the Independent Review remains ongoing. Accordingly, we are unable to ascertain whether the Independent Review, the outcome of which are still unknown, would have an impact on the Group’s business operations. We are unable to ascertain the extent of pervasiveness and/or significance of any adjustments or completeness of disclosures that may arise resulting from the Independent Review.

Opening balance of Inventory

We were appointed as auditors of the company on 8 December 2022 and thus did not observe the counting of the physical inventories at the beginning of the year. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at 31 December 2021. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the cash flow statement.

Impairment of website development costs

As disclosed in Note 13(a) to the financial statements, the cost of the Group's website development costs amounted to \$1,678,304 (2021: \$1,274,814) as at 31 December 2022. During the financial year, management performed an impairment assessment to determine the recoverable amount of the website development costs. An impairment loss of \$403,490 (2021: \$1,274,814) was recognised to write down the website development costs to the recoverable amount of \$nil in the Group'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 13 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 2022 and 31 December 2021, and the impairment loss recognised for these financial years were fairly stated.

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

As disclosed in Note 17 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 \$16,953,786 (2021: \$23,444,584) and \$2,026,676 (2021: \$1,510,980) respectively as at 31 December 2022. Included in these amounts are loan to Incredible Trading Limited of \$16,953,786 (2021: \$23,444,584) and amount due from a subsidiary, Incredible Watch & Jewellery Pte. Ltd. of \$827,967 (2021: \$312,271). The remaining amount due from subsidiary of \$1,198,709 (2021: \$1,198,709) relate to HB 2021 ApS. Based on the impairment assessment performed by management, full impairment allowance of \$16,953,786 (2021: \$23,444,584) and \$827,967 (2021: \$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 of these balances amounted to \$515,696 (2021: \$11,235,053).

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 2022 and 31 December 2021, and the impairment loss recognised for these financial years were fairly stated.

Because of the significance of the uncertainties and potential misstatements arising from the matters described above, we are unable to express an opinion on the accompanying financial statements."

Audit Committee's view pertaining to the "Impairment of website development costs":

The recoverable amount of the website development costs is determined based on value-in-use calculation using cash flows projections covering a period of five years. The key assumptions for the value-in-use calculations are those regarding the number of subscribers, subscription price, expected operational costs and discount rate. However, as the website is currently not in use and will only be launched in 2024, the management is not able to provide sufficient information on the appropriateness of the carrying value of the website development costs and has decided to make full impairment of the remaining carrying value of the website development costs.

Audit Committee's view pertaining to the "Company level - Loan to a subsidiary and amount due from subsidiaries":

As regards "Company level - Loan to a subsidiary and amount due from subsidiaries", the Company did not provide any estimation of credit loss to the auditors as management believes that based on the current operations of the subsidiaries, they will not be able to repay any part of the loan or the amount due to the Company. Instead, full impairment allowance 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.

Shareholders of the Company ("Shareholders") are advised to read this announcement in conjunction with the Company's Annual Report for FY2022, released on SGXNET on 31 July 2023.

For the avoidance of doubt, the Disclaimer of Opinion does not raise any audit issues which may give rise to material uncertainty on the Group's ability to continue as a going concern.

By Order of the Board
Incredible Holdings Ltd.

Christian Kwok-Leun Yau Heilesen
Executive Director

31 July 2023

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.