

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.” (the “Earlier Announcement”).

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 11 June 2021 received below queries from the Singapore Exchange Securities Trading Limited (the “Exchange”) in relation to the Proposed Acquisition.

- 1. Please elaborate on the historical track records and financial performance of the Target, which has been incorporated 6 months ago on 2 December 2020.**

Company’s Response:

According to the latest management account as at 30 April 2021, the Target had not commenced operations after renovation of the store. The renovation started in January 2021 and is still in progress at the date of these responses.

- 2. What did the Board consider in agreeing to the purchase consideration of S\$1.128 million, which will result in goodwill of approximately S\$1.1 million? Why was there no valuation conducted?**

Company’s Response:

The Board is of the view that the boutique acquired through the Target comes with significant leasehold improvements and renovations which are all in good quality and with security systems. Furthermore, the location of the store is located in a prime location in the largest city in Denmark. Lastly, there are significant time savings by acquiring the Target instead of setting up a shop. In other words, it would take time to locate a shop, time and cost to renovate the shop to the same standard, time and cost to install the same level of security improvements, and therefore, the Board believes that the consideration for the boutique is fair given that the renovation costs for the boutique is in line with market rates and is in the best interest to acquire the Target for the Group’s expansion strategy. The Company did not consider the valuation to be necessary as the Target has yet to start operations and therefore, there are no historical track record to form the basis of the valuation.

- 3. It is stated that the tenancy agreement of the store leased by the Target is not limited in time. (a) Please elaborate and explain what this means and the implications to the Company / Target.**

Company’s Response:

According to the legal advice, Section 61 of the Danish Act on Lease of Business Premises provides that following the period of non-terminability stated in the lease agreement the lessor may only (despite what may be stated in the lease agreement and provided the lessee has not violated the lease agreement) terminate a lease agreement in the following cases:

- (i) Where the lessor wants to use the leased premises itself, however reference is made to section 62 of the Danish Act on Lease of Business Premises;
- (ii) Where the lessor documents that the leased premises have to be vacated due to demolition or conversion of the property, however, reference is made to section 62 of the Danish Act on Lease of Business Premises;

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- (iii) Where, despite a reminder from the lessor to this effect, the lessee has failed to maintain good order when using the leased premises, e.g. where the lessee has, by way of noisy conduct, psychological and physical violence or threats thereof or in any other way, caused an inconvenience to the property or the persons legally using the property, including where the conduct of the lessee results in inconvenience for the persons in question in the form of general anxiety, creates a climate of uncertainty in the area or health risks and where the inconvenience is not of such a nature as to entitle the lessor to terminate the lease agreement without notice; and
- (iv) Where, for strong reasons, it is very urgent for the lessor to be released of its obligations under the lease agreement, see, however, reference is made to section 62 of the Danish Act on Lease of Business Premises.

Termination according to (i) above must be reasonable based on an assessment of the situations of both parties, inter alia, taking into consideration the duration of the lessor's ownership of the property. A professional lessor will most likely in practice never be able to argue and allege that the lessor wants to use the leased premises itself.

Where a lessee is given notice of termination according to (ii) above, the lessor must concurrently with giving notice of termination offer the lessee to lease premises of the same nature as those terminated where premises will be leased after the reconstruction or conversion.

Section 62 of the Danish Act on Lease of Business Premises provides that:

A lessee carrying on business the continued location of which on the premises is of essential importance to the business can only be given notice of termination according to (i), (ii) and (iv) above where such termination is reasonable on the basis of an assessment of the situations of both parties.

In such decisions the duration for which the business has been carried on at the leased premises, the lessee's improvements of the premises and the value of its circle of customers must, inter alia, be taken into account.

It follows from the above-mentioned that in practice it is nearly impossible for a lessor to terminate a lease agreement (entered into for a non-limited period) covering the lease of business premises.

As advised by the legal advisor, the Target is able to continue operating the business in the premise as long as the Target pays the rent on time.

(b) Are the terms of the tenancy agreement in accordance with market rate?

Company's Response:

Yes, the terms of the tenancy agreement are in accordance with market rates based on available public data of rental offered for properties in Copenhagen.

(c) Are the terms of the tenancy agreement subject to regular review and renewal?

Company's Response:

The tenancy agreement is subject to market rent indexation which is tied to the local consumer price index and is subject to renewal annually.

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(d) What are the termination clauses in the tenancy agreement?

Company's Response:

In accordance with the lease agreement section 4.1, the lease can be terminated by each of the parties with 6 months written notice by letter before at the end of a month.

4. Seller 1, 2 and Target:

(a) How did the Company get introduced to Seller 1 and Seller 2 and the Target?

Company's Response:

Mr Heilesen originates from Denmark and relies on his network in Denmark for introductions.

(b) Who are the shareholders and directors of Seller 1 and Seller 2?

Company's Response:

The shareholder and director of Seller 1 and Seller 2 is Peter Jens Bech and Lasse Holm Andersen respectively.

(c) Who is / are managing the operations in the Target currently?

Company's Response:

Peter Jens Bech and Lasse Holm Andersen are managing the operations of the Target currently.

5. Please explain how and whom in the Company will exercise oversight and control over the business of the Target which is in Denmark.

Company's Response:

The Company plans to hire the relevant people and expertise once the transaction is completed, Christian Kwok-Leun Yau Heilesen, the Executive Director of the Company will have oversight on this new team.

6. It is disclosed that the Company's ED, Christian Kwok-Leun Yau Heilesen ("Mr Heilesen") is proposed to be appointed as a director of the Target in connection with the Proposed Acquisition. We note that Mr Heilesen is the ED of Incredible, ED of Ntegrator and hold directorships in about 25 other private companies. Please detail how Mr Heilesen is able to devote sufficient time and attention to all his engagements.

Company's Response:

Mr Heilesen has confirmed he is able to devote sufficient time on all his engagements. As mentioned in query 5, the Company will appoint relevant people and expertise on the operations of the Target, Mr Heilesen is appointed as director of the Target for bank authorized signatory purpose to ensure a smooth transition in the acquisition.

Mr Heilesen is able to manage his schedule and exercise his fiduciary duty as director of the listed companies as well as private companies. He is the key person for oversight and control over the business. The management of all listed companies and private companies are assisting him on the daily operations, developing and managing the business development strategies, establishing new business opportunities for growth and expansion.

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Based on past records, the Nominating Committee of the Company noted his confirmations and is of the view that Mr Heilesen is able to devote sufficient time to discharge his duties as an Executive Director of the Company. The Nominating Committee of the Company will nevertheless continue to assess at regular intervals whether Mr Heilesen is able to devote sufficient time to discharge his duties as an Executive Director of the Company.

7. Is the Company familiar with running the luxury retail business in Denmark? Please explain taking into consideration the Company's current business and geographical markets.

Company's Response:

Yes. The Company is familiar as Mr Heilesen originates from Denmark, a native speaker of Denmark and is familiar with Denmark's business conditions.

It is part of the company's strategy to expand further its geographical markets to diversify the business risks of Hong Kong and Singapore. As the Company has the experience of trading luxury goods in Singapore and Hong Kong, the Company will apply the same business model in the countries for expansion.

8. Noted that the Target is in net liabilities of approx. S\$5k.

(a) What is the total assets value of the Target and what does it comprise?

Company's Response:

According to the management accounts as at 30 April 2021, the total assets value of the Target was DKK1,057,796 (equivalent to approximately S\$230,000) comprising 1) leasehold improvement of DKK400,000 (equivalent to approximately S\$87,000); 2) leasehold deposit of DKK285,175 (equivalent to approximately S\$62,000) & 3) other receivables of DKK372,621 (equivalent to approximately S\$81,000).

(b) What is the total liabilities of the Target and what does it comprise?

Company's Response:

According to the management accounts as at 30 April 2021, 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.

9. What due diligence steps will be taken/ have been taken by the Company in relation to this Proposed Acquisition?

Company's Response:

The Company has performed a company search to confirm the details of the Target and sought for legal advice in relation to the lease.

10. Noted from annual report released on 19 April 2021 that:

(i) loan financing business will most likely commence operation in the second quarter of 2021; and

Company's Response:

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The Company is still in the process of obtaining the relevant license and is expected to commence before the end of 2021.

(ii) the Company has commenced to develop a website for the online business and the website is expected to be launched in the market in mid 2021.

Please provide updates to the above two developments.

Company's Response:

The Company is still in the process of developing this website and is expected to launch before the end of 2021.

By Order of Incredible Holdings Ltd.

Christian Kwok-Leun Yau Heilesen
Executive Director
15 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.