



Regulatory Announcement

10 November 2023

Board oversight lapses identified at SGX-listed Incredible Holdings Ltd and Ntegrator Holdings Limited

Singapore Exchange Regulation (“SGX RegCo”) refers to the Notices of Compliance (“NOCs”) issued to Incredible Holdings Ltd and Watches.com Limited (currently known as Ntegrator Holdings Limited) (collectively referred to as the “Companies”) on 27 June 2022, where SGX RegCo had directed the appointment of an independent reviewer to review certain transactions undertaken by the Companies. The independent review was completed and announced by the Companies on 10 November 2023. The independent reviewer, Provenance Capital Pte. Ltd. (“Provenance”), reported the findings solely and directly to SGX RegCo.

The directive to perform an independent review was issued following our observations that the Companies had undertaken a series of corporate actions which would result in, among others, (i) joint investments in the same businesses (namely, Gadmobe Group and Golden Ultra); and (ii) cross-issuance of perpetual securities with free warrants by the Companies to each other. The scope of the independent review covers all corporate actions (some of which are interested persons transactions) and fund-raising announced by both Companies over a 12-month period (“Transactions”).

Findings from Provenance’s Independent Review Report

Provenance is of the view that the Transactions do not appear to be carried out on normal commercial terms and would be prejudicial to the interests of the Companies and their respective minority shareholders. Provenance highlighted, among others, the following findings:

- (a) The Companies had paid significant consideration for the acquisitions of most of the target companies with relatively weak financials and / or which were not supported by the opinion of the independent financial adviser (“IFA”) and independent valuations of the target companies.
- (b) Certain important terms in relation to the acquisitions of Golden Ultra and Gadmobe Group, such as the distribution of substantial amount of dividends to the vendors which would reduce the net tangible assets (“NTA”) of the target companies to zero or negative, were not made known to the valuers. As a result, the valuations of these target companies might have been overstated. For the acquisition of Golden Ultra, Incredible did not include this term in the sale and purchase agreement nor disclose to the Sponsor until the circular was prepared.

Singapore Exchange Regulation Pte. Ltd.

Company Reg No. 201709600D

(A wholly-owned subsidiary of Singapore Exchange Limited)

11 North Buona Vista Drive, #06-07 The Metropolis Tower 2, Singapore 138589
main: +65 6236 8888

- (c) The Companies had issued promissory notes amounting to, in aggregate, at least S\$48.3 million to fund most of these acquisitions. To repay these promissory notes, as well as to meet their fund-raising goals and plans, the Companies had proposed various fund-raising exercises. The terms of the proposed fund-raising exercises were not in the interest of the Companies and their minority shareholders, and/or would potentially result in significant dilution of minority shareholders' interest.
- (d) Both Companies had disclosed in their respective announcements and circulars to shareholders that the acquisitions of the target companies (in particular, Billion Credit Financial Company Limited ("Billion Credit"), Golden Ultra and the Gadmob Group) have no impact on the NTA of the Companies. Such disclosures are misleading and erroneous as the considerations paid for these acquisitions were significantly above the respective attributable NTA of the target companies and the considerations were paid for via promissory notes, resulting in significant goodwill and/or intangible assets which would materially reduce the NTA of the Companies post-acquisition.
- (e) There was generally weak and/or no evidence to show that the directors had put in sufficient robust deliberations and due diligence to evaluate the terms of the Transactions before putting forth the Transactions to shareholders for their approval at the extraordinary general meetings. The IFA had opined that the relevant Transactions were not on normal commercial terms and "may be" (emphasis added) prejudicial to the interests of the shareholders, and / or that the purchase consideration was significantly higher than the independent valuation. Despite this, the directors independent of the relevant Transactions supported and recommended shareholders to vote in favor of the relevant Transactions and did not deliberate on the commercial merits or terms of the relevant Transaction.
- (f) In the acquisitions of Billion Credit and Golden Ultra, Provenance noted that the IFA, W Capital Markets Pte Ltd, issued ambiguous IFA opinions which pointed to the need for clarity on IFA opinions.

SGX RegCo's Expectations and Next Steps

Provenance's findings raise serious concerns on the adequacy and effectiveness of both Companies' internal controls. SGX RegCo requires the audit committees of both Companies to commission reviews on their respective Group's internal controls and implement enhancements recommended by the independent internal control reviewer ("IA Reviewer"). The appointment of the IA Reviewer and the terms of reference of the scope of review for each of the Companies must be cleared with SGX RegCo prior to such appointments.

Singapore Exchange Regulation Pte. Ltd.
An SGX Group Company

11 North Buona Vista Drive, #06-07 The Metropolis Tower 2, Singapore 138589
main: +65 6236 8888
sgx.com

As directed by the NOCs, both Companies shall not proceed with any of the Transactions nor propose any further corporate action prior to satisfactory resolution of findings raised by Provenance as well as the IA Reviewer.

SGX RegCo will look into any potential listing rule breaches highlighted by Provenance and refer potential contraventions of the Companies Act and Securities and Futures Act to the relevant authorities.

It is important for all directors to properly discharge their fiduciary duties and always act in the best interests of the company and shareholders. Failure to do so is a contravention of Section 157 of the Companies Act.

SGX RegCo also expects IFA opinion to contain a clear and unequivocal conclusion supported by reasonable factors and bases. More guidance can be found in our Regulator's Column on [What SGX RegCo expects of independent financial advisers for listed issuers](#).

-End-

About Singapore Exchange

Singapore Exchange is Asia's leading and trusted securities and derivatives market infrastructure, operating equity, fixed income, currency and commodity markets to the highest regulatory standards. It also operates a multi-asset sustainability platform, SGX FIRST or Future in Reshaping Sustainability Together (sgx.com/first). SGX is committed to facilitating economic growth in a sustainable manner leveraging its roles as a key player in the ecosystem, a business, regulator and listed company. With climate action as a key priority, SGX aims to be a leading sustainable and transition financing and trading hub offering trusted, quality, end-to-end products and solutions. As Asia's most international, multi-asset exchange, SGX provides listing, trading, clearing, settlement, depository and data services, with about 40% of listed companies and over 80% of listed bonds originating outside of Singapore. SGX is the world's most liquid international market for the benchmark equity indices of China, India, Japan and ASEAN. Headquartered in AAA-rated Singapore, SGX is globally recognised for its risk management and clearing capabilities. For more information, please visit www.sgx.com.

Media Contact

Carolyn Lim
Marketing & Communications
T: +65 6236 8139
E: Carolyn.lim@sgx.com

Singapore Exchange Regulation Pte. Ltd.
An SGX Group Company

11 North Buona Vista Drive, #06-07 The Metropolis Tower 2, Singapore 138589
main: +65 6236 8888
sgx.com