

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

QUERIES FROM THE EXCHANGE IN RELATION TO THE PROPOSED DISPOSAL BY INCREDIBLE HOLDINGS LTD., OF THE ENTIRE SHARE CAPITAL IN LUXURY WATCH TRADING LIMITED

The Board of Directors of Incredible Holdings Ltd. (the “**Company**” and together with its subsidiaries the “**Group**”) refer to the following salient announcements:

- (a) the Company’s announcement dated 19 December 2019 in relation to, *inter alia*, the Proposed Disposal of Entire Share Capital in Luxury Watch Trading Limited;
- (b) the Company’s announcement dated 16 January 2020 in relation to the response to the Exchange queries from exchange on the Proposed Disposal of Entire Share Capital in Luxury Watch Trading Limited;
- (c) the Company’s announcement dated 30 September 2020 entitled “Termination Of The Proposed Disposal By Incredible Holdings Ltd., Of The Entire Share Capital In Luxury Watch Trading Limited”; and
- (d) the Company’s announcement dated 9 October 2020 entitled “Proposed Disposal Of Entire Share Capital In Luxury Watch Trading Limited”.

(collectively, 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 12 October 2020 received below queries from the Singapore Exchange Securities Trading Limited (the “**Exchange**”) in relation to the Proposed Disposal.

The Exchange’s queries of 12 October 2020 and Company’s responses are set out below:

1. **It was stated that the Proposed Disposal is carried out so as to focus the Group’s resources on its scalable core business, being the distribution of consumable material for electronics industry and trading of luxury goods. The trading of luxury goods is operated by Vashion Group (HK) Holdings Limited and not LW.**

What is the business of LW?

Company’s Response:

LW is dormant since 1 January 2017. LW was an investment holding company of two wholly-owned subsidiaries, one in People’s Republic of China (“**PRC**”) called Shenzhen Louis Gianni Costume Co. Ltd. and the other one in Hong Kong called Louis Gianni Company Limited. Both subsidiaries were engaged in wholesale of garments in PRC and Hong Kong. LW ceased operations in wholesale of garment after the disposal of its wholly-owned subsidiaries on 23 May 2014 and 4 December 2015. Subsequent to the disposal of the aforementioned subsidiaries, LW did not generate any revenue for the financial year 2016 and it only recorded other operating income of S\$12,000 arising from agency fees. Agency fee income refers to the Group acting as an agent for collection and payment on behalf in relation to sales and purchases transaction of garment related materials between the buyer and the seller. Both buyer and seller were not related to any directors nor substantial shareholders of the Company.

LW changed to its current company name from Vashion Group (H.K.) Limited on 26 September 2017 in conjunction with the Company’s plan to embark on the business of trading of luxury goods which was approved by the shareholders at the extraordinary general meeting held on 6 September 2017.

2. **When did the Company acquire LW and what was the consideration? What was the Company’s intention when it acquired / set up LW then? How much funds has the Company invested into LW thus far?**

Company’s Response:

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The Company acquired LW on 8 October 2007 for the purpose of undertaking the wholesale of garment business. The total investment cost in LW and its abovementioned wholly-owned subsidiaries was S\$7.6 million.

3. Please explain whether when the Company diversified into the luxury goods business, was the trading of luxury watches part of the plan? What is the Company's plans and strategy now?

Company's Response:

The diversification into the luxury goods business was approved by shareholders at the extraordinary general meeting held on 6 September 2017 and the trading of luxury goods business commenced in March 2018 by Vashion Group (H.K.) Holdings Limited ("VGHK") which is a wholly-owned subsidiary of the Company. The trading of luxury watches is part of the luxury goods business. Currently, the Company's plan is to focus on the distribution of consumable material for electronics industry by Singapore subsidiaries and trading of luxury goods by VGHK in Hong Kong. The Company is also preparing to undertake loan financing business in Hong Kong subsequent to the ongoing proposed rights cum warrants issue.

4. LW ceased operation since 2017.

(a) Why did LW cease operation?

(b) What was LW's latest profit/loss and balance sheet results for the full year it was trading?

(c) What would be the CR1006 ratios using these results?

Company's Response:

(a) LW ceased its operations in wholesale of garment after the disposal of its wholly-owned subsidiaries on 23 May 2014 and 4 December 2015.

(b) LW recorded a profit before tax of S\$6,109 for the year ended 31 December 2016. LW was in a net liabilities of S\$10.3 million as at 31 December 2016.

(c) The table sets out below the ratios where the FY2016 results have been used to compute for Rule 1006(a) and 1006(b):-

Rule 1006	Proposed Disposal of LW	%
(a)	The net asset value of the assets to be disposed of compared with the group's net asset value.	-356.00% ⁽¹⁾
(b)	The net profits attributable to the assets acquired or disposed compared with the Group's consolidated net profits.	-0.30% ⁽²⁾
(c)	The aggregate value of the consideration given, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	0.00% ⁽³⁾⁽⁴⁾
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	Not Applicable

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Notes:

- (1) LW is at net liabilities position of approximately S\$10.3 million as at 31 December 2016, while the Group is in net asset position of approximately S\$2.96 million as at 30 June 2020.
- (2) The net profits used for the computation is taken from the loss before income tax, minority interests and extraordinary items. The Group and LW recorded pre-tax loss of approximately S\$1 million in HY2020 and S\$6 thousand in FY2016 respectively. The Group pre-tax loss in HY2020 has been annualized to FY, i.e S\$2 million, for the purpose of the calculation.
- (3) The market capitalization has been computed based on the Company's issued Share capital comprising 299,843,943 Shares and the weighted average price for the Company's shares on 8 October 2020, being the last trading day preceding the date of the Share Sale and Purchase Agreement, of S\$0.011 per Share.
- (4) Based on the exchange rate of S\$1: HK\$5.70 as at 8 October 2020.

5. What are the key assets in LW's business? Are there any intercompany debts owing from/to Listco? How will these intercompany debts be settled?

Company's Response:

The only asset currently on LW's balance sheet is the Company's motor vehicles. The motor vehicles are worth HK\$202,500 or equivalent to S\$35,503 as at 30 June 2020. Other than the asset, LW has liabilities of approximately S\$58 thousand as at 30 June 2020. There are no intercompany debts owing from/to Listco as at the date of this response.

6. It was stated that the New Purchaser is an independent third party and he is not related to any Directors or shareholders of the Company.

- (a) **Did the Company consider other options or other potential acquirers with the view of achieving higher sale consideration than HKD\$1? Please detail the Company's efforts at doing so.**
- (b) **How did the Company get introduced to the New Purchaser?**
- (c) **What is the New Purchaser's plans for LW after acquiring it for HKD\$1?**
- (d) **What are the AC's views as to whether the Proposed Disposal at HKD\$1 is in the best interest of the Company and its shareholders.**

Company's Response:

- (a) The Company had signed a sale and purchase agreement with previous purchaser as announced on 19 December 2019. The Company had several discussions with previous purchaser on the completion of the disposal towards the end of August 2020 and noted that the previous purchaser intended to terminate the disposal due to the economic downturn. Concurrently, the Company started to look for a new purchaser for LW but was unable to reach a deal with prospective purchasers until the end of September 2020. On 28 September 2020, the previous purchaser decided to officially terminate the proposed disposal as announced on 30 September 2020. Thereafter, the Company managed to reach a deal with the New Purchaser and entered into sale and purchase agreement on 9 October 2020.
- (b) The New Purchaser was introduced to the Company via a company secretary in Hong Kong. No introducer fees were paid.
- (c) The Company is not aware of the New Purchaser's plans for LW after acquisition.
- (d) The AC is of the view that the proposed disposal of LW would be in the best interest to the Group as LW is in a net liabilities position as at 30 June 2020. It will result in a gain in disposal of approximately S\$22 thousand. The proposed disposal was also in line with the Group's strategy to focus resources on core business and reduce the cost to the Group (including annual audit fee, annual business registration fee etc).

By Order of Incredible Holdings Ltd.

Christian Kwok-Leun Yau Heilesen

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Executive Director

14 October 2020

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.