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

RESPONSE TO QUESTIONS RECEIVED FROM A SHAREHOLDER IN RESPECT OF THE COMPANY'S ANNUAL GENERAL MEETING TO BE HELD ON 29 JUNE 2022 ("AGM")

The board of directors (the "**Board**") of Incredible Holdings Ltd. (the "**Company**") refers to the annual report ("AR2021") to shareholders and the Notice of AGM issued by the Company on 7 June 2022;

The Board would like to provide the Company's response to the questions raised by a shareholder as set out below.

Question 1:

Business outlook/financial performance

I note that the company announced an even larger loss this year. Net loss was 6.3 million, worse than last year's loss of 4.1 million, and much worse than the year before last year's loss of 2.4 million. In fact, the company has been losing money for more than 5 years already! The NAV of the company is declining every year due to the company being loss-making and exacerbated by the frequent share dilution due to placements, convertibles etc.

Is the company, management and Board concerned that it is losing money for so many years and counting? Please elaborate.

When was the company last profitable?

When will the company turn around and become profitable?

Is the company, management and Board concerned that the losses for the company are growing larger every year? Please elaborate.

What is the company, management and Board doing to engineer a turnaround in the company?

What is the company, management and Board doing to bring the company back into the black?

Company's response:

The Company, management and Board are aware of the losses incurred by the Company.

According to Bloomberg, the Company (formerly Vashion Group Ltd) was last profitable for the financial year ended 31 December 2014, reported a net profit after tax of approximately S$1.2 million.

The loss for the year recorded in FY2021 (S$6.32m) is larger than the FY2020 (S$4.12m) mainly due to one-off events, such as the (i) impairment of approximately S$1 million of goodwill and (ii) impairment of approximately S$1.3 million intangible asset.

The Board and management are of the view that the Company's recent acquisitions to expand its trading of watches business into the retail sector and to more geographical areas will improve the financial performance of the Group.

Question 2:

Remuneration

Despite the company's very dismal financial performance (it has been losing money for the past many years and this year it lost even more money, shockingly, I note that the company's director fees are proposed to be increased to $123k from $120k. Mr Christian Kwok-Leun Yau Heilesen is paid $1,556,962, more than double last year's remuneration of $618,105.

This is not a big company, the company's market capitalization is less than 10 million SGD.

Why are key management and directors paid so highly when the company has been losing money for five years straight AND the company is reporting larger and larger losses every year?

Does key management and directors not think they should lead by example and cut their remuneration until the company achieves profitability? Please elaborate.

What cost cutting measures have been instituted over the last year to help the company save money?

Please ask the remuneration committee to justify the high salaries paid over the past year, when the company has been losing money for five years straight AND the company is reporting larger and larger losses every year.

Specifically, please account for the bonus of $1 million dollars paid to Mr Christian Kwok-Leun Yau Heilesen when the company has been losing money for five years straight AND the company is reporting larger and larger losses every year.

Bonuses should only be paid when the company performs well financially. Does the remuneration committee agree or otherwise? Please elaborate.

What is the justification for paying the bonus of $1 million dollars when the company has been losing money for five years straight AND the company is reporting larger and larger losses every year?

Company’s response:

Currently, the remuneration of Executive Director comprises a basic salary and bonuses based on the performance of the Group and the Executive Director's performance and contribution to the Group. The RC is of the view that remuneration for all staff should be competitive with market rates to retain key talents in the Company, and that the Executive Director's contribution to the Group would bring value to the shareholders of the Company in the long run.

The RC is of the view that the S$1,000,000 bonus payable to the Executive Director for the financial year ended 31 December 2021 is fair, given his efforts and contribution to the commercial aspects of the Group for the expansion as well as diversification of the Group business.

In relation to remuneration, there has been no cost-cutting measure instituted over the last year to help the Company save money.

The acquisitions are aligned with the Group’s plan to expand its trading of luxury goods business into the retail and ecommerce sector and to more geographical areas to enhance the financial performance of the Group. The acquisitions are intended to provide profitability to the Group and bring value to the shareholders of the Company going forward.

Question 3:

The COVID situation in Singapore has improved greatly and physical meetings can now be held. Hence, why did the company not hold a physical AGM or minimally, a semi-physical AGM?

The company held an EGM on 7 Feb 2022, another EGM on 4 May 2022, and was scheduled to hold an EGM on 25 Jun 2022 (albeit postponed). The AGM will be held 29 June 2022. Why is the company holding so many meetings so regularly? What is the cost of holding a shareholder meeting?

The EGM was previously scheduled to be held on 25 Jun 2022, whilst the AGM will be held 29 June 2022. These meetings were previously scheduled to be held less than a week from each other. Have the company considered holding the two meetings together? Why did it opt not to do so?

Given the company has been losing money for five years straight AND the company is reporting larger and larger losses every year, why did the company not consider reducing costs by combining the two meetings into one?

Once again, what cost cutting measures have been instituted over the last year to help the company save money?

Company's response:

In holding its AGM, the Company took into account and complied with the relevant requirements and guidance pursuant to, amongst others, the following:

- the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 for the purpose of its AGM; and
- the Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation which provides guidance on the conduct of general meetings amid evolving COVID-19 situation.

The Company had multiple corporate exercises such as the proposed acquisitions, proposed diversification, and the proposed issuance and subscription of bonds and warrants, which required shareholders' approval pursuant to the Catalist Rules.

As the Company endeavours to meet the AGM deadline and complete the corporate exercises on time, it is often difficult to combine both the AGM and EGM. The Company has noted and taken into consideration this view from the shareholders.

One of the Company's cost saving measures has been to hold the general meetings virtually as the costs are significantly lower as compared to holding a physical meeting. The cost of holding a virtual meeting is around S$2,000.

Question 4:

Postponed EGM on 25 Jun 2022

As per the company's announcement dated 11 June 2022, "The Board wishes to update that following a consultation with the Sponsor and communications between the Sponsor and the SGX-ST, the Company will be issuing a new circular for the Proposed Placement Exercise to include the details set out below as required by SGX-ST.

Given the above, the Company is hereby withdrawing the 3 June 2022 Placement Exercise EGM Notice and Circular. Accordingly, the extraordinary general meeting to table the resolutions in relation to the Proposed Placement Exercise will not be held on 25 June 2022. Shareholders are to disregard the 3 June 2022 Placement Exercise EGM Notice and Circular. The Company will issue a new notice of an extraordinary general meeting to be convened in relation to the Proposed Placement Exercise and a new circular containing details of the resolutions to be tabled at the extraordinary general meeting in due course."

It is shocking that the company issued a circular, announced an EGM date and later had to backtrack, postpone the EGM and issue a new circular. Who is responsible for this debacle?

Is the company Board, management and directors competent and knowledgeable regarding the listing rules and requirements, company's act and constitution, legislation etc of Singapore?

Are we still using the same adviser(s) that provided the wrong advice?

What is the cost of holding a new EGM and the cost of issuing a new circular and other costs relating to this debacle?

Who would be bearing the cost of holding a new EGM and the cost of issuing a new circular and other costs relating to this debacle?

Company's response:

In relation to the 3 June 2022 Placement Exercise EGM Notice & Circular, after a discussion with the Exchange, the Company was required to appoint an independent financial adviser ("IFA") in connection with the Proposed Placement Exercise. The Company is also of the view that an independent opinion would help the Company's shareholders make their decision when voting on the resolutions.

The Company's Board, management and directors are competent and knowledgeable regarding the listing rules and requirements, Company's Act and Constitution, legislation etc. of Singapore.

There is no additional cost incurred in holding a new EGM. However, the Company will incur further costs on the appointment of an IFA.

Question 5:

Huge variances between audited and unaudited financial statements

I note that there are huge variances between the company's audited and unaudited financial statements. For example, in the unaudited financial statements, the loss is 3.3 million. But for the audited financial statements, the loss doubled to 6.3 million.

Why is the variances between the audited loss and unaudited loss so huge?

Why is there such a huge variance in the company's audited and unaudited financial statements

Is the company's accountant(s) proficient and competent in coming up with proper financial statements, compliant with the relevant accounting standards?

Does the company's accountant(s) take a liberal approach towards accounting, and choose not to impair or write down assets when it is necessary or required to do so?

Company's response:

The Company's finance and accounting staff are experienced and competent to meet the Singapore Financial Reporting Standards (International) (SFRS(I)). According to the discrepancy announcement dated 7 June 2022, the significant difference in loss after tax of approximately S$3.0 million was mainly due to Other operating expenses, mainly: i) impairment of approximately S$1.3 million in intangible assets, ii) impairment of approximately S$1 million in goodwill, iii) impairment of approximately S$181,000, iv) write down of inventories of approximately S$183,000 and v) impairment losses of plant and equipment of approximately S$184,000 in prepayment for website development cost during the audit after the announcement of unaudited financial result. These variances were mainly arising from issues relating to the qualifications stated in the auditor's report.

Please refer to the response to SGX dated 14 June 2022 for further details relating to the AC's conclusions on the qualification raised involving significant judgement and estimates.

Question 6:

HB2021

"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."

What is the business rationale for the Group's acquisition of HB2021?

Subsequent to the acquisition, why did 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?

What is the exact address and location of HB 2021?

I conducted a Google Map search of Amaliegade 10, I note that there are no prominent signs (or any signs at all) bearing the company's name and/or the shop name in the specified location.

Please provide a recent image of the shop-front of HB 2021.

Company's response:

Please refer to the company's announcement and response to SGX dated 9 June 2021, 15 June 2021 and 17 June 2021 for the business rationale for the acquisition of HB2021.

Please refer to the response to SGX dated 14 June 2022 for the reason relating to the sub-lease. The sub-lease was for commercial reasons.

Please refer to announcement dated 9 June 2021 for the location of the HB 2021.

The Company has plans to include the logo of Incredible or HB on the signboard in the near future.

Question 7

Company's website

"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."

Why did the company's website development cost such an exorbitant sum?

Given that the company's website development was halted, it does seem that a significant 7 digits sum was wasted. Who is responsible for this wastage?

Will the company and the company hold those individuals who wasted a significant 7 digits sum accountable?

Have and will these individuals be removed and sacked from the company?

From the AR, it is stated that : "During the current financial year, there were no further developments to the website project and the management has put the website project on hold due to business strategy reasons."

Please elaborate what are the business strategy reasons for halting the website project?

From the AR, it is stated that : "The key assumptions for the value-in-use calculations are those regarding the number of subscribers, subscription price, expected operational costs and discount rate. The number of subscribers and subscription price are estimated based on management judgement after taking into consideration the number of subscribers and subscription prices set by various competitors of similar nature. Expected operational costs are based on management's assessment of future trends and development in the market. Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the website development costs."

Why is the auditor unable to obtain sufficient appropriate audit evidence with respect to the assumptions used by management in its impairment assessment of website development costs?

Please indicate and elaborate what are the assumptions used by management.

Company's response:

The website development costs relate to costs paid to a vendor for custom design and interactive features of the Group's virtual platform that would generate future economic benefits upon commercialisation. These costs also include purchases of material and services, payroll related costs of employees directly involved in the development of the website.

The impairment of the entire website development amount is in accordance with accounting standards as the discounted value is lower than the carrying amount. Despite the impairment, the Company retains ownership of the website and intends to launch the website after completion, with no wastage of the cost spent on the website.

The Company has put the website development on hold due to the multiple corporate exercises such as the proposed acquisitions, proposed diversification, and the proposed issuance and subscription of bonds and warrants, which require working capital to cover the professional fees involved in these corporate exercises.

Please refer to the response to SGX dated 14 June 2022 for further details relating to the AC's conclusion on the qualification raised involving the impairment of website development costs.

Question 8

Company level loan to subsidiary and 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 & 3 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. "

Why were the auditors 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?

What are the assumptions used by management in its impairment assessment of loan to a subsidiary and amount due from subsidiaries?

Company's response:

Please refer to the response to SGX dated 14 June 2022 for further details relating to the AC's conclusion on the qualification raised involving the Company level Loan to a subsidiary and amount due from subsidiaries.

Question 9

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. 2 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. "

Why were the auditors 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?

Why were the auditors unable to satisfy themselves with respect to the appropriateness of inventories written down of $182,815 recognised in profit or loss during the financial year ?

Why were the auditors unable to satisfy themselves as to 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?

Company's response:

Please refer to the response to SGX dated 14 June 2022 for further details relating to the AC's conclusion on the qualification raised involving the allocation method of purchase discounts and net realisable value of specific inventories.

Question 10

Impairment, write off, wastages, overpaying, excesses

In the final analysis of the annual report, it seems that the company has had to impair and to write off many items. The company staff are paid very handsomely. This is despite the financial performance of the company worsening year by year. Clearly, the company has overpaid for several items previously, and over-allocated for several items. This is emblematic of weak cost controls and lack of fiscal prudence.

Please elaborate what cost-control measures were taken over the past year?

Please elaborate if the company implemented any new cost control measures.

Please elaborate and indicate the approval process for funding of new projects and ventures.

Please elaborate the measures taken by the company to prevent cost-overruns.

Please elaborate on the lessons learnt from failed projects such as the "abandoned new website development".

What steps, if any, have been put in place to prevent a repeat of failed projects such as the "abandoned new website development", which cost shareholders more than a million dollars of losses?

Company's response

The acquisitions have been approved by shareholders through EGM held on 14 January 2022. Please refer to announcement dated 9 June 2021, 15 June 2021, 17 June 2021, 24 June 2021, 27 September 2021, 4 October 2021, 18 October 2021, 22 October 2021, 27 October 2021 and 2 November 2021.

The Company has been implementing cost-control measures, especially over travelling and entertainment expenses for the past few years. The Company continues to review its cost structures to identify areas to save costs without impacting its business operations. However, the Company is of the view that in order for the Company to turn around, bringing in new, earnings accretive businesses to the Group is more important. This is the reason for the recent acquisitions the Company has undertaken.

The approval process for funding of new projects is as follows:

1. Identify the project;
2. Determine the feasibility of the project;
3. Identify sources of technology;
4. Identify sources of project finance and budget; and
5. Mitigate the project risk

Please refer to the response to question 7, the Company would like to emphasize that the website development has not been abandoned but put on hold. The Company still intends to launch the website after completion.

Management closely monitors the budgets and costs on every new project to prevent cost-overruns. Such measures include but are not limited to implementing project controls; predicting the upcoming costs of a project; measuring expenses in real-time and defining key performance indicators etc. The Company will be more prudent in evaluating the projects and inventories at the time of the investment and purchases.

Question 11

Incredible and Watches.com (fka Ntegrator)

I note that Mr Christian Kwok-Leun Yau Heilesen is the controlling shareholder of both Incredible and Watches.com (fka Ntegrator). It seems that both companies are in the business of watches.

What is the difference between the business of Incredible and Watches.com (fka Ntegrator)?

Are Incredible and Watches.com (fka Ntegrator) in competition with each other? Please elaborate.

Would the fact that Mr Christian Kwok-Leun Yau Heilesen is a controlling shareholder of both watch companies Incredible and Watches.com (fka Ntegrator) not result in a conflict of interest? Please elaborate.

How does the company mitigate any conflict of interest issues that might arise due to Mr Christian Kwok-Leun Yau Heilesen's controlling stake in two companies operating in the same field?

Given his added responsibilities in Watches.com, does Mr Christian Kwok-Leun Yau Heilesen have sufficient time and energy to devote the requisite attention and effort to Incredible, a company that is consistently loss-making and whose financial position is consistently deteriorating every year? Please elaborate.

Company’s response:

The Group is engaged in the business of retailing and wholesaling of branded watches including but not limited to Singapore, Hong Kong, Korea and Denmark currently. Based on the annual report from Watches.com Limited (“WVJ”), WVJ focuses on retailing and designing, manufacturing, distributing, trading and selling of watches and watch accessories through their own and third party internet websites, applications, retail stores and online platforms. The Company is not in a position to respond on the business of WVJ.

Although Mr Christian Kwok-Leun Yau Heilesen is the controlling shareholder and Executive Director of both companies, he has a fiduciary duty in the interest of Incredible Holdings Ltd. ("Incredible") and exercise due diligence in dealing with the business of Incredible and is obliged to act in good faith in the interest of Incredible at all times.

The Company will work closely with the internal auditor and AC to address any potential conflict of interests.

Mr Christian Kwok-Leun Yau Heilesen has confirmed that he has sufficient time and energy to devote the requisite attention and effort to Incredible. He is actively bringing new businesses and opportunities to Incredible, which is in the best interest of the shareholders. He is also the single largest shareholder of Incredible holding 59.14% of the issued share capital of Incredible and is also the one to provide the undertaking for previous rights issues completed in February 2020 for up to approximately S$9.4 million.

Question 12

Fund-raising exercises

Previously the company conducted several fund-raising exercises including but not limited to rights issue, warrants issue, convertible bonds issues etc. Now it is proposing to conduct a placement exercise to raise more funds. Why is the company conducting so many fund-raising exercises these few years? Is the company desperate for cash and funds? To what end?

Should the company not first use the funds raised previously in a prudent, careful and calculated manner before conducting yet another fund-raising exercises?

Previously the company conducted a rights issue, warrants issue, convertible bonds issues etc., and now it is proposing to conduct a placement exercise to raise even more funds and dilute existing shareholders. All these fund-raising exercises have the detrimental effect of diluting existing shareholder's interest. Have the Board and company considered the severely dilutive effects of these fund-raising exercises to existing shareholders? Please elaborate.

Company's response

Please refer to the announcements dated 15 December 2015, 25 January 2016, 30 June 2016, 18 September 2017, 5 February 2018, 15 April 2019, 23 September 2020 and 6 May 2022 for the rationale of the fund-raising exercises.

The Proposed Placement Exercise is to repay promissory notes issued, which would significantly lower the liabilities of the Group and would also reduce the financing cost of the Company in terms of repayment of promissory notes issued. The fund-raising exercises are to provide additional working capital as well as funding for mergers and acquisitions that will enhance shareholders' value in the long-term. The Board is of the view that the fund-raising and recent corporate exercises' benefits outweigh the dilution effect on the minority shareholders' interest.

By Order of the Board
Incredible Holdings Ltd.

Christian Kwok-Leun Yau Heilesen
Executive Director

23 June 2022

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.