

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

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**QUERIES FROM THE EXCHANGE IN RELATION TO THE PROPOSED ACQUISITION BY INCREDIBLE HOLDINGS LTD., OF THE 42% SHARE CAPITAL IN GOLDEN ULTRA LIMITED**

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The Board of Directors of Incredible Holdings Ltd. (the “Company” and together with its subsidiaries the “Group”) refer to its earlier announcement 18 October 2021 titled “THE PROPOSED ACQUISITION OF GOLDEN ULTRA LIMITED - ENTRY INTO SALE AND PURCHASE AGREEMENT” (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 Announcement.

The Company has on 19 October 2021 received queries from the Singapore Exchange Securities Trading Limited (the “Exchange”) in relation to the Proposed Acquisition and the responses are provided below.

1. **The Target, Golden Ultra Limited, is a private company limited by shares in British Virgin Islands on 2 July 2021 and has an issued share capital of US\$1,000 comprising 1,000 ordinary shares as at the date of this announcement. The Target is an investment holding company.**

**The Target has a wholly-owned subsidiary, namely, CKLY Trading Limited (“CKLY”). CKLY is a private company limited by shares incorporated in Hong Kong on 14 May 2015 and has an issued share capital of HK\$10,000 comprising 10,000 ordinary shares as at the date of this announcement. CKLY Trading Limited is principally in the business of trading of watches through the online platform known as [www.bestwatch.com.hk](http://www.bestwatch.com.hk), which provides various luxury watch brands for customers in Hong Kong and other countries.**

**What is the reason for incorporating a BVI company (i.e. Golden Ultra Limited) to hold CKLY, just prior to the disposal of the Target to the Company?**

Company’s Response:

According to Mr Heilesen, incorporation of a BVI company is comparatively inexpensive as compared to other jurisdictions such as Hong Kong or Singapore. The restructure of the Target Group is to streamline the financial reporting in the organisation moving forward.

2. **The Consideration for Sale Shares shall be HK\$84 million (equivalent to approximately S\$14.6 million).**

**The Target has been profitable for 5 years in a row, and with a positive and growing EBITDA. As a result of its omni-channel approach to watch retailing, they are able to sell to and attract customers through online means as well as for clients that walk-in at the shop/office level.**

**(a) Please disclose the 5 years’ revenues, costs of sales, net profits, EBITDA and current net asset/liability and total net asset/liability figures of the Target/CKLY.**

Company’s Response:

Please see below table revenues, costs of sales, net profits, EBITDA and current net asset/liability and total net asset/liability figures of CKLY for FY2017 to HY2021:

	FY2017	FY2018	FY2019	FY2020	HY2021
Revenue (HK\$’000)	200,216	299,494	310,870	370,890	258,503
Cost of sales (HK\$’000)	197,191	291,538	300,523	357,252	250,620
Net profits (HK\$’000)	848	2,268	2,071	3,371	2,778

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EBITDA (HK\$'000)	1,137	3,671	4,943	8,052	4,863
Current net assets (HK\$'000)	815	2,799	4,909	8,341	11,111
Total net assets (HK\$'000)	815	3,082	5,153	8,524	11,302

**(b) Please disclose the location of the shop/office in Hong Kong.**

Company's Response:

The location of the shop is suite at 4/F, Fontaine Building, 18 Mody Road, Tsim Sha Tsui Hong Kong.

**(c) Please disclose the relevant website engagement metrics for the website (e.g. traffic, time spent on site, pages per visit, returning visitors, social sharing, bounce rate, etc, please include what is relevant for the page and business) for the past 5 years and how they compare to their competitors, given that the Target sells watches through the online platform.**

Company's Response:

The website, www.bestwatch.com.hk, commenced in operation in 2019 and is one of the sales channel of CKLY. The requested information about traffic, time spent on site, pages per visit, returning visitors, social sharing, bounce rate etc are commercial and trade secret in nature. Further, it would be hard comparing the information to competitors as they are not commonly disclosed by competitors.

As disclosed in the announcement under section 7 of the Earlier Announcement, the Board is of the view that as a result of its omni-channel approach to watch retailing, they are able to sell and attract customers through online means as well as for clients that walk-in at the shop/office level.

3. **According to the audited FS of CKLY, CKLY recorded a net profit after tax of approximately HK\$3.4 million (equivalent to approximately S\$0.6 million) for FY2020 and a net profit after tax of approximately HK\$2.1 million (equivalent to approximately S\$0.35 million) for FY2019.**

**The Company commissioned FT Consulting Limited ("Independent Valuer") to conduct a valuation on CKLY. According to the valuation report, the market value of CKLY, as at 30 June 2021, was HK\$138,290,000 (equivalent to approximately S\$24.1 million).**

**The Independent Valuer determined that the income approach was the most appropriate valuation approach as it takes the future revenue that can be obtained by taking the intangible asset of the Target Group into consideration. In particular, the discounted cash-flow method was used in the valuation.**

**The Consideration represents a premium of 44.62% or about HK\$25.9 million (equivalent to approximately S\$4.5 million) to the market value stated in the Valuation Report.**

**(a) What does "intangible asset of the Target Group" refer to? How is this measured or quantified?**

Company's Response:

The intangible asset mainly refers to the website and customer relationships owned by CKLY. CKLY trades its luxury watches through its own established website, which is a key sales channel for CKLY to promote and sell the inventories

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to customers. Besides, CKLY has also built good customer relationships with the existing clients, many of whom are returning customers and would refer new clients to CKLY.

As the main revenue of CKLY is generated through these intangible assets that cannot be efficiently measured through cost approach or market approach, the income approach was the most appropriate valuation approach for the valuation of the equity interest of CKLY. Accordingly, the value of intangible assets has been captured into the equity interest of CKLY via the financial projection provided by the CKLY's management, and the expected future cash flows are discounted back to the valuation date with an appropriate discount rate that reflects the business risk.

**(b) Please provide the key assumptions in the Valuation Report, in particular, disclose the projected income/revenue/net profits included in the next 5 years as provided in the Valuation Report.**

Company's Response:

Please see below projected income/revenue/net profits include in the next 5 years as provided in the Valuation Report:

Year	2021*	2022	2023	2024	2025
Revenue	257,419	716,667	995,523	1,274,269	1,478,152
Profit before Tax	5,438	14,920	24,455	33,937	40,616

*Currency: HKD'000*

*Note: 2021 represents 1 July 2021 to 31 December 2021*

Please see below the valuation assumptions in the Valuation Report:

- 1) According to the last three-year audited financial statements, the Target Company has experienced a significant increase in revenue with a CAGR of 23% between 2017 to 2020. In the first half of 2021, the sales has already reached 70% of the year-round sales in 2020. Considering the recovery of overall economy in next few years, the management are of opinion that the performance of annual sales will be better than historical performance.
- 2) With the restriction of traveling during COVID-19, there is a growing tendency for customers to purchase the goods they want by the online platform. In China, there is around 56% of consumers prefer to choose digital channel to collect the information related to luxury watches. As predicted by Mckinsey & Company, the global online share of the watches market will increase from 5% to 12% in 2025. Therefore, the increasing demand in online luxury watches markets will be expected to boost the sales of the Target Company.
- 3) The Target Company is mainly focused on Hong Kong market at present. In the future, the Target Company has planned to expand luxury watches online markets in mainland China, East Asia and Europe. With the expansion of the target market, the Target Company will be expected to achieve higher revenue growth in the future years, and then enter into a stable development stage.
- 4) Once the Target Company realizes the expansion of the overseas market, the revenue is expected to experience a significant high growth. After taking above aspects into consideration, the management predicted that the annual revenue growth in the first two years will increase to around 38%, and then decrease to a stable level gradually.

**(c) Please provide the credentials and experience of the Independent Valuer and the Board's assessment of their suitability.**

Company's Response:

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The Independent Valuer, FT Consulting Limited, provides solutions in business and market research consultancy, business valuation and sustainability advisory services. The engagement partner, Mr Leo Ming Yan Lo, who possesses over 17 years of experience as a valuer, is a member of the Royal Institution of Chartered Surveyors (“**RICS**”) which is a United Kingdom based professional body for surveyors.

Please see the list of business valuation conducted by FT Consulting Limited:

- 1) Valuation of 100% equity interest of Shanghai Ziji Information Technology Co., Ltd in Dec 2020;
- 2) Valuation of 100% equity interest of 广东新明珠陶瓷集团有限公司 in Dec 2020; and
- 3) Valuation of 100% equity interest of 成都威尔斯普物业管理有限公司 in March 2021.

The Board is of the view that the Independent Valuer is suitable in this proposed acquisition as he possesses the relevant experiences in equity valuation and is a qualified member of a professional body in the related field.

**(d) In view that the Consideration (S\$14.6m) represents a premium of 44.62% to the Valuation, how did the Board arrive at the quantum of the Consideration? This is especially since the past 2 years’ NPAT of the CKLY is only between S\$0.35m to S\$0.6m per year.**

Company’s Response:

The Board is of the view that the Target has been operating in the watch retailing business since 2016. The Target has been profitable for 5 years in a row, and with a positive and growing EBITDA. As a result of its omni-channel approach to watch retailing, they are able to sell to and attract customers through online means as well as for clients that walk-in at the shop/office level.

The Target is capable of demonstrating that it has the following other benefits to the Company:

- (1) better knowledge and experience than many of the similar competitors;
- (2) competent know-how and personnel (15 employees) to support the operation and expansion of the business;
- (3) extensive network of existing suppliers, customers, dealers and connections from the dealing of watches for the last 5 to 6 years;
- (4) value of its own website on [www.bestwatch.com.hk](http://www.bestwatch.com.hk), and the search engine optimisation (“SEO”) that is included in the website;
- (5) the Proposed Acquisition makes sense economically in terms of time and cost savings for the Company to acquire the Target with a profitable track record as new projects and businesses developed by the Company will take time, management resources and significant costs to setup. Furthermore, it may not achieve a good outcome or profitable outcome for the Company. The Proposed Acquisition will shortcut the Company’s road to profitability while enabling the Company to execute in a quick and fast manner;
- (6) The consideration shall be paid by way of Promissory Notes that are not satisfied out of Company’s existing capital and cash resources, and hence enables the Company to enter into a sale and purchase contract (“S&P”) without straining the cashflow of the Company immediately;
- (7) The Target’s existing office and setup that will speed up the expansion of the Company’s expansion efforts into Hong Kong; and

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(8) The Board is also of the view that the Proposed Acquisition provides another avenue for the Company to grow its businesses.

Taking into account the above factors, the Directors are of the view that the Consideration is fair and represents a good structure to ensure all parties are aligned for the successful execution of the Share Purchase Agreement, and the future goal to ensure the Group can grow and expand profitably using the extensive supplier and distribution network that the Target has accumulated over the years.

This has been disclosed in section 7 of the Earlier Announcement.

**(e) A similar Valuation was conducted for Ntegrator's valuation of CKLY. Are both Incredibles and Ntegrator referring to the same Valuation Report? Which company commissioned the report?**

Company's Response:

The Company commissioned FT Consulting Limited for the valuation report. The Company believes that Ntegrator commissioned the same Independent Valuer for the valuation report.

**(f) What are Incredibles' AC's views on the appropriateness of the Valuation conducted?**

Company's Response:

The AC is of the view that the valuation report is conducted properly as Independent Valuer is a professional with certificate of professional authority, the valuation report is conducted based on their relevant experience with studies and research of the Target Group industry.

**4. The consideration shall be paid by way of Promissory Notes that are not satisfied out of Company's existing capital and cash resources, and hence enables the Company to enter into a sale and purchase contract ("S&P") without straining the cashflow of the Company immediately.**

**(a) How will the Promissory Note be accounted for in the FS?**

Company's Response:

The Promissory Note will be accounted as liabilities in the FS.

**(b) When will the Promissory Note be required to be settled by?**

Company's Response:

According to the SPA, the salient terms of the Promissory Note are as follows:

- 1) the Company promises and undertakes unconditionally to pay the principal amount of HK\$84 million (equivalent to approximately S\$14.6 million) (the "**Principal Amount**") to the Vendor by the maturity date which falls on 30 September 2022.
- 2) The Company may at any time give the Vendor 14 business days' notice in writing to redeem the Promissory Note at the Principal Amount (or any part thereof), and the date falling on the 14th business day after the date of receipt of the redemption

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notice shall be the “Elected Redemption Date”. All accrued interest up to the Elected Redemption Date shall be paid on the Elected Redemption Date. The Promisor shall deliver the payment of the Principal Amount (or any part thereof) to the Vendor by a cashier’s order or banker’s draft drawn on a bank licensed in Singapore or Hong Kong and made out in favour of the Vendor, or in such other manner as may be agreed in writing between the Company and the Vendor.

This has been disclosed in section 5 of the Earlier Announcement.

**(c) What is the interest to be accrued on the Promissory Note? What is the AC’s views as to whether the interest rate is a fair market rate?**

Company’s Response:

The Promissory Note is interest free. The AC is satisfied that the Promissory Note is interest free.

**(d) How will the Company satisfy the Promissory Note?**

Company’s Response:

As disclosed in the Earlier Announcement, the Proposed Acquisition shall be funded through fund-raising in the capital markets. The Company will update Shareholders as and when the terms of the fund-raising activities materialise. This has been disclosed in section 13 of the Earlier Announcement.

**5. Given that the Company will acquire 42% of the Target, and Ntegrator will acquire 55% of the Target, and remainder 3% will be held by Mr Heilesen, will the risks and rewards be in proportion to equity of each partner (i.e. the Company, Ntegrator and Mr Heilesen)? Should the Target require further working capital or funding in the future, how will the proportion of funding be like?**

Company’s Response:

The Company believes that the Company, Ntegrator and Mr Heilesen shall be entitled to the risks and rewards in proportion to their equity interest.

The Company believes that the funding will be in proportion to its equity interest should the Target require further working capital or funding in the future.

**6. With regards transactions with Mr Heilesen and his associates:**

**(a) Please provide a list and aggregate the total number and value (net asset value, and total consideration) of assets acquired by the Company from Mr Heilesen or his associates, please include the dates of the various acquisitions and the stages of each acquisition (even if they have not completed).**

Company’s Response:

The current total of all transactions (excluding transactions less than S\$100,000) with Mr Heilesen and his associates (as defined under the Catalist Rules) for the period from 1 January 2021 to the date of this announcement is set out in the table below.

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<b>Description</b>	<b>Date of announcement</b>	<b>Net asset value</b>	<b>Consideration</b>
Proposed Acquisition of Billion Credit Financial Company Limited	27 September 2021	(S\$0.4 million)	S\$1.08 million
Proposed Acquisition of Golden Ultra Limited	18 October 2021	S\$0.8 million	S\$14.6 million

This has been disclosed in section 8 of the Earlier Announcement.

The Company is currently in the midst of undergoing due diligence and preparing the circular in order to obtain shareholders' approval for the proposed acquisition of Billion Credit Financial Company Limited and Golden Ultra Limited.

**(b) We note that Mr Heilesen has been actively selling his privately-owned businesses to both Incredibles and Ntegrator? What plans does he have for each of the listed companies?**

Company's Response:

The Proposed Acquisition is aligned with the Group's plan to expand its trading of luxury goods business into the retail sector and to more geographical areas to enhance the financial performance of the Group. The Board believes that the Proposed Acquisition would strengthen the profitability of the Group and bring value to the Shareholders.

The Company also believes that acquiring profitable and experienced businesses will benefit the Group for the long term.

Mr Heilesen believes that the recent proposed acquisition would bring new stream of revenues and opportunities to the listed companies. He plans to keep exploring potential investment opportunities in order to expand and diversify the Group's business, and improve the Group's operating results in the foreseeable future.

**7. What is Mr Heilesen's reasons for selling the Target Group to Incredibles and Ntegrator? How will the Company and Ntegrator work together to manage the Target Group? Who will comprise the board of the Target Group?**

Company's Response:

Mr Heilesen believes that the Target Group fits the business model for Incredible and Ntegrator. The Company will manage the business together with Ntegrator. Ultimately, the board of directors of Golden Ultra will comprise 3 directors, 2 from Ntegrator and 1 from Incredible.

The composition of the board of directors for CKLY Trading Limited has not been confirmed as at the date of this announcement.

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By Order of Incredible Holdings Ltd.

Leung Kwok Kuen Jacob  
Independent Non-Executive Chairman and Independent Director  
22 October 2021

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*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.*