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

QUERIES FROM THE EXCHANGE IN RELATION TO BAKER TILLY TFW LLP ("BAKER TILLY") NOT SEEKING REAPPOINTMENT AND THE QUALIFIED OPINION BY BAKER TILLY FOR FY2021

The Board of Directors of Incredible Holdings Ltd. (the "**Company**" and together with its subsidiaries the "**Group**") refer to its earlier announcement on 7 June 2022 titled "AUDITOR NOT SEEK FOR RE-APPOINTMENT" and "QUALIFIED OPINION ANNOUNCEMENT" (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 8 June 2022 received queries from the Singapore Exchange Securities Trading Limited (the "**Exchange**") in relation to the auditors, Baker Tilly TFW LLP ("**BT**") not seeking reappointment and the qualified opinion by Baker Tilly for FY2021. The responses are provided below.

1. **What are the reasons resulting in Baker Tilly not seeking reappointment?**

   a. Are the Audit Committee and Sponsor satisfied that there are no circumstances connected with the cessation of Baker Tilly that should be brought to the attention of the shareholders?

   Company's Response:

   As announced in Earlier Announcements, Baker Tilly TFW LLP will retire as the auditor of the Company following the conclusion of the upcoming annual general meeting for FY2021 ("**AGM**") to be held on 29 June 2022.

   The Audit Committee ("**AC**") is of the view that the Company should appoint a new auditor as soon as possible. Other than this, the AC is satisfied that there are no circumstances connected with the cessation of Baker Tilly that should be brought to the attention of the shareholders. The Sponsor has noted that the Company is in the process of seeking to appoint a new auditor and that the Company will update the shareholders in due course. Sponsor's completion of internal due diligence to satisfy that there are no circumstances connected with the cessation of BT will be completed before BT's retirement at the upcoming AGM. The Sponsor is not aware as at the date of the announcement of any exceptions to the cessation.

2. **Please confirm if there were disagreements with Baker Tilly on accounting treatments or other material accounting related matters in the last 12 months. If so, pls provide details.**

   a. Please also confirm if all assistance by management were provided to Baker Tilly during the audit process in the last 12 months, ie adequate disclosures, sufficient verification of transactions being provided to Baker Tilly.

   Company's Response:

   Save for matters disclosed in the qualified opinion in the auditor's report in the annual report, there were no disagreements with the outgoing auditors on accounting treatments within the last 12 months.

Qualification raised involving significant judgement and estimates	Matters considered	Conclusion by AC
Impairment of website development costs – refer to Note	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,	The AC has reviewed the impairment assessment to determine the recoverable amount of the website development costs based on value-in-use calculation using cash flows projections prepared by the

14(a) of the financial statement	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.	management. The AC concurred with the management on key assumptions for the value-in-use calculations including those regarding the number of subscribers, subscription price, expected operational costs and discount rate.
Allocation method of purchase discounts 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. Subsequently, on 11 May 2022, HB2021 entered into a jewellery purchase agreement with another company to sell	The AC understands that there were qualification with the auditors pertaining 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 asset purchase agreement held by HB2021 and the Group as at 31 December 2021 of $1,838,710 is fairly stated. The AC has reviewed and concurred with the weighted average allocation method prepared by the management, whereby purchase discounts were allocated proportionately based on their respective carrying costs to determine the cost of purchase for each item of inventories. This method was used as the purchase discount is associated with the entire inventory acquired through the asset purchase agreement, and as such has been spread proportionately over the cost of the acquired inventory.

	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.	Due to the qualification by the auditors regarding the discount allocation method, which affected the cost of sales and carrying amount of inventory, the auditors were unable to satisfy themselves with respect to the appropriateness of inventories written down and the carrying amount of inventories as at 31 December 2021. Having reviewed both the management's and the external auditor's views, the AC concurs with the management's weighted average allocation method.
Acquisition of HB 2021 ApS – refer to Note 15(ii) of the financial statement	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	The AC noted that the auditors were unable to obtain sufficient appropriate audit evidence on the business rationale for the Group's acquisition of HB2021. Consequently, they 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. The Company acquired HB2021 ApS, which was in a net liabilities position of DKK23,262 (equivalent to approximately S$5,000) for a consideration of DKK5,200,000 (or equivalent to approximately S$1,128,000). The Board viewed that the business acquired through HB 2021 came with significant leasehold improvements and renovations which are all in good quality and with security systems. Furthermore, the location of the store is located at a prime location in Denmark's largest city. Lastly, there were significant time savings by acquiring HB 2021 instead of setting up a

	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 HB 2021 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.	new shop. Therefore, the Board believes that the consideration for HB2021 ApS is fair given that the renovation costs for HB2021 ApS is in line with market rates and is in the Group's best interest to acquire HB 2021 for the Group's expansion strategy. On 31 December 2021, based on cash flow forecasts derived from the most recent financial budgets approved by management, an impairment loss of $1,062,109 was recognised to write down the goodwill arising from the acquisition of HB2021 to its recoverable amount of $nil. The AC has reviewed & concurred with the management's assessment of goodwill impairment per note 14(b). Having reviewed both the management's and the external auditor's views, the AC concurs with the management on the responses and explanations relating to the business rationale & consideration paid for the acquisition of HB2021 ApS, and the subsequent impairment.
4	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	The AC understands that the auditors 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, they were unable to conclude whether the net carrying amount of the trade and other receivables (including the loans to a subsidiary and amount due from subsidiaries) of the Company as at 31 December 2021 and the impairment loss recognised for the financial year were fairly stated. The AC understands from the management that a full impairment

	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 & Jewellery Pte. Ltd. as at year end. Impairment allowances charged to current year's profit and loss in respect of 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.	allowance for the loan to a subsidiary and amount due from subsidiaries have been made due to the fact that the value of current assets immediately available would be utilized as working capital for the operations instead of repayment to the Company. Apart from that, the AC also understands from management that the trade receivable of the Company as at 31 December 2021 had been collected in March 2022. Management is of the view that these subsidiaries operate in a fast-growing market, and as such, working capital is essential to sustain operations. In particular, Incredible Trading Limited is a major subsidiary of the Group that engages in the trading of new and used luxury goods, contributing revenue of approximately S$22.3 million in FY2021. Repayment of the amounts due/loan would limit the working capital required for the continued operations of this subsidiary and as such, full impairment allowance was made on the loan/amount due from this subsidiary Having considered both the management's and the external auditor's views, the AC concurs with the management's impairment of the amounts due/loan from the Company's subsidiaries.

The Company confirms that all assistance by management were provided to Baker Tilly during the audit process in the last 12 months.

3. Please provide the Board's confirmation on whether Baker Tilly not seeking reappointment is related to the Qualified Opinion Announcement.

Company's Response:

According to the notification provided by BT, they will retire as the auditor of the Company upon expiration of its current term of office at the close of the annual general meeting of the Company. The Board is not aware of whether Baker Tilly not seeking reappointment is related to the Qualified Opinion Announcement.

4. Reasons for Baker Tilly's basis for the Qualified Opinion for FY2021 was due to it being unable to obtain sufficient appropriate audit evidence and conclude on the following numbers were fairly stated:

(i) Impairment loss of S$1,274,814 to write down the website development costs;
(ii) Inventories written down of $182,815 in P/L and net carrying amount of inventories of S$1,838,710;
(iii) Full impairment loss on the amount due from HB 2021 amounted to $1,198,709; and

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(iv) Impairment allowance of $23,444,584 and $312,271 being made for the loan to a subsidiary, Incredible Trading Limited and amount due from subsidiary, Incredible Watch & Jewellery Pte. Ltd. respectively. Impairment allowances charged to current year's profit and loss in respect these balances amounted to $10,922,782 and $312,271 respectively.

- Please provide reasons/rationale for the impairment loss of S$1,274,814 to write down the website development costs and why Baker Tilly was 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 was Baker Tilly unable to assess the appropriateness of 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 was Baker Tilly unable to obtain sufficient appropriate audit evidence on the business rationale for the Group's acquisition of HB2021 and determine whether any additional adjustments to and/or disclosures in the financial statements may be necessary with respect to this acquisition and investment?
- Why was Baker Tilly 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?

Responses:

(i) The management prepared a 5-year discounted cashflow forecast to determine the recoverable amount of the website development costs for an impairment assessment. Based on the assumptions made in the assessment regarding the number of subscribers, subscription price, expected operational costs and discount rate, the recoverable amount is negative S$23,627 which was below the carrying amount. Therefore, the management decided to fully impairment the website development costs. According to the assumptions provided by the management, the website development is on hold for two years due to recent corporate exercises. The Company had provided all supporting documents to BT during the audit and upon request for the past 12 months.

As stated in Note 14 (a) to the financial statement, 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. Management has performed an impairment assessment and determined the recoverable amount of the website development costs based on value-in-use calculation using cash flows projections covering a period of five years. 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.

BT was not able to obtain sufficient appropriate audit evidence with respect to the assumptions used by management in its impairment assessment of website development costs. Accordingly, BT was 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.

(ii) The Company had provided all supporting documents to BT during the audit and upon request for the past 12 months.

As stated in the basis of qualified opinion, BT was 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. BT was not able to determine whether the allocation of the purchase discounts based on proportionate method on their respective carrying costs is appropriate. As a consequential effect, BT was unable to assess the appropriateness of allocating the purchase discounts to derive the costs of purchase of watches and jewellery by HB2021 of $1,329,100 and $686,980 respectively.

For the avoidance of doubt, the jewellery, watches and accessories were bought from a liquidator at the end of the year 2021. As is the practice of liquidators, the liquidator sold the whole lot without allocating the discount to each item. This is, in the Company's opinion, the main reason for BT being unable to agree on the allocation of the costs for each of the items.

(iii) The Company had provided all supporting documents to BT during the audit and upon request for the past 12 months.

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). 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 ("ED") 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. Based on BT's further work performed, the leased property has prominently displayed the signboard of "Yourwatches.com", a private company solely owned by the ED, instead of HB2021. Hence, based on the responses and explanations provided relating to the acquisition of HB2021, BT was unable to obtain sufficient appropriate audit evidence on the business rationale for the Group's acquisition of HB2021. Consequently, BT was 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.

For the avoidance of doubt, there is no conflict of interest between HB2021 ApS and YourWatches.com ApS as YourWatches.com ApS primarily operates as a e-commerce platform selling its own merchandise through various online platforms and sites and the product mix is different and without overlap.

(iv) The Company had provided all supporting documents to BT during the audit and upon request for the past 12 months.

Management has performed an impairment assessment to determine the recoverable amount of the receivables from respective subsidiaries based on discounted cashflow (DCF) method. 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 & Jewellery Pte. Ltd. as at year end. Impairment allowances charged to current year's profit and loss in respect of these balances amounted to $10,922,782 and $312,271 respectively.

Based on the information available to BT, they 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, BT was 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 recognized for the financial year were fairly stated.

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By Order of Incredible Holdings Ltd.

Christian Kwok-Leun Yau Heilese
Executive Director
14 June 2022

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.