

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

QUERIES FROM THE EXCHANGE IN RELATION TO THE PROPOSED ACQUISITION BY INCREDIBLE HOLDINGS LTD., OF THE ENTIRE SHARE CAPITAL IN BILLION CREDIT FINANCIAL COMPANY LIMITED

The Board of Directors of Incredible Holdings Ltd. (the “Company” and together with its subsidiaries the “Group”) refer to its earlier announcement 27 September 2021 entitled “THE PROPOSED ACQUISITION OF BILLION CREDIT FINANCIAL COMPANY 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 29 September 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. **In paragraphs 2 and 4.3 of the announcement, we noted caveats, “The information on the Vendor / Independent Valuer provided below was provided to the Company by the Vendor. In respect of such information, the Board has not conducted an independent review or verification of the accuracy and correctness of the statements and information below. The responsibility of the Board is limited to the proper extraction and reproduction herein in the context that is being disclosed in this announcement.”**
 - (a) **Please explain why there are such caveats given that Mr Heilesen, the ED and controlling shareholder of Incredible, is also the owner of the Vendor. Mr Heilesen would therefore be able to provide accurate information about the Vendor.**

Company’s Response:

Paragraph 2 of the announcement dated 27 September 2021 should be read as follows:

The information on the Vendor provided below was provided to the Company by the Vendor. In respect of such information, the Board (excluding Mr Heilesen) has not conducted an independent review or verification of the accuracy and correctness of the statements and information below. The responsibility of the Board (excluding Mr Heilesen) is limited to the proper extraction and reproduction herein in the context that is being disclosed in this announcement.

Paragraph 4.3 of the announcement dated 27 September 2021 should be read as follows:

The information on the Independent Valuer provided below was provided to the Company by the ~~Vendor~~ Independent Valuer. In respect of such information, the Board has not conducted an independent review or verification of the accuracy and correctness of the statements and information below. The Board’s responsibility is limited to the proper extraction and reproduction herein in the context that is being disclosed in this announcement.

- (b) **Please explain why the responsibility of the Board (excluding Mr Heilesen) is limited to the proper extraction and reproduction of the information, and not for the verification of the information disclosed in the announcement.**

Company’s Response:

The information provided by the Vendor (excluding Mr Heilesen) to the Board are factual information available to the Vendor and prepared by the Vendor after discussion between the management of the Company and the Vendor. The Board’s (excluding Mr Heilesen) responsibility is limited to the proper extraction of such information provided by the Vendor and in so far as such information may be properly extracted based on publicly available information for the purpose of the Earlier Announcement. The Board will be conducting its due diligence and verification of information for purpose of the Circular to be released in due time.

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2. **The money lenders license of the Target expired on 18 August 2021. The Target has applied for renewal of the license and as at the date of this announcement, the application is pending the approval from the court in Hong Kong. What is the status of the Target's application for renewal of license?**

Company's Response:

The Target submitted the application for renewal in early August 2021. As of the date of the Earlier Announcement, the renewal is pending the approval from the related authority in Hong Kong.

3. **The Valuation Report states that the Target has a market value of HK\$4.73m (approx S\$0.8m) even though the Target is net liability position of S\$0.4m as at 31 Dec 2020. The Target recorded a profit of S\$27k for FYE 31 Dec 2020 and a profit of S\$18k for the HY ended 30 Jun 2021.**

(a) What were the key assumptions adopted in the valuation? Who provided the data for the valuation to the Valuer?

Company's Response:

Please see below the valuation assumptions in accordance with section 10 of the Valuation Report:

- The financial information of the Target have been prepared in a manner which truly and accurately reflect the financial performances and positions of the Target as at the respective financial statement date;
- For the Target to continue as a going concern, the Target will successfully carry out all necessary activities for the development of its business;
- The availability of finance will not be a constraint on the forecast growth of the Target's operations in accordance with the business plans and projections;
- Market trends and conditions where the Target operates will not deviate significantly from the economic forecasts in general;
- Key management, competent personnel and technical staff will all be retained to support the ongoing operations of the Target;
- There will be no material changes in the business strategy of the Target and its operating structure;
- Interest rates and exchange rates in the localities for the operations of the Target will not differ materially from those presently prevailing;
- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Target operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated;
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Target operates or intends to operate, which would adversely affect the revenues and profits attributable to the Target; and
- Valuer is instructed by the management to perform the valuation based on the financial statement of the Target as at 31 December 2020, and assumed that there are no material changes in the financial performance and position of the Target during the period from 31 December 2020 to the valuation date.

For the source of information, in the course of valuation, the Valuer had conducted a company visit of the Target in September 2021 and had discussion with the Company on the development and operations of the Target. The Valuer had also relied on the historical financial information such as income statements and balance sheets of the Target and projections of the Target provided by the Company in the valuation analysis. Other information was extracted from public sources such as government sources, Refinitiv, Duff & Phelps LLC, etc.

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(b) Please elaborate on the forecasted revenues and profits which contributed to the Valuation amount of HK\$4.73m (approx S\$0.8m).

Company's Response:

The income approach is adopted for the valuation of the Target. Major inputs include the following :

1. In view of the general economic environment in Hong Kong as it gradually recovers in the next few years after the COVID-19 pandemic when it is under control, it is expected that the lending rate will gradually increase to historical lending rate of 30% in the following five years by 2025;
2. As a result of the increasing lending rate, the forecast revenue is expected to grow at a cumulative annual growth rate of approximately 7.5%, achieving revenue of approximately HK\$4.56 million by 2025;
3. The other operating expenses are expected to remain stable for the next few years. Accordingly, the operating costs is expected to grow at a rate of 2.4%, which is in line with the forecast Hong Kong inflation rate published by International Monetary Fund; and
4. The other valuation inputs include the adoptions of the Hong Kong profit tax of 16.5%, discount rate of 11.44% (based on weighted average cost of capital, details are exhibited in Appendix III of the valuation report), terminal growth rate of 2.4% and lack of marketability discount of 20%.

Taking into account of the above, the Valuer is of the opinion that the market value of the Target is HK\$4.73 million.

(c) Please provide the track record and experience of the Valuer, Peak Vision Appraisals Limited.

Company's Response:

The Valuer, Peak Vision Appraisals Limited, offers a broad range of independent third party valuation services covering business enterprises, resources projects, real properties, intangible assets, financial instruments and plant and machinery, for the purposes of financial reporting and public disclosure for The Stock Exchange of Hong Kong Limited as well as other overseas stock exchange. The engagement partner, Mr. Nick Chung Lai Kung, is a member of The Hong Kong Business Valuation Forum and RICS Registered Valuer.

Please see the list of business valuation conducted by Peak Vision Appraisals Limited:

- 1) Valuation of 100% equity interest of Tak Shing International Holdings Limited and its subsidiaries in 2021;
- 2) Valuation of 100% equity interest of Harbour Group Holdings Limited and its subsidiaries in 2019;
- 3) Valuation of 100% equity interest of 北京安家世行融資擔保有限公司 in 2017; and
- 4) Valuation of 100% equity interest of Affluent Grand Limited in 2017

(d) What contributed to the net liability position of the Target of S\$0.4m as at 31 Dec 2020?

Company's Response:

According to the audited financial statement of the Target as at 31 December 2020, the current assets was HK\$14.9 million (equivalent to approximately S\$2.6 million) and the current liabilities was HK\$17.2 million (equivalent to approximately S\$3.0 million). The current assets consisted of 1) loan and trade receivable of HK\$14.8 million; 2) deposit and other receivables of HK\$58,000 and bank and 3) cash equivalent of HK\$46,000. The current liabilities consisted of 1) loan and other payables of HK\$14.4 million and 2) amount due to a director of HK\$2.8 million which the director of the Target advanced for operation purpose.

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4. The Consideration for the Proposed Acquisition is HK\$5.8m (approx. S\$1m). Please provide more details on how the Board arrive at the Consideration?

Company's Response:

The Valuation Report formed the basis for the Consideration. The Board is of the view that the Target has been operating in the loan financing business in Hong Kong since 2014. The Target is capable of demonstrating that it has 1) better knowledge and experience; 2) competent personnel to support the operation and 3) existing customers, deals and networks. All these intangible assets are not reflected in the Valuation Report. The Board is also of the view that the proposed acquisition provides another avenue for the Company to grow its businesses. Taking into account of the above, the Directors are of the view that the transaction is not prejudicial to the shareholders.

5. Paragraph 7(v) stated that all necessary consents, approvals and waivers (in particular with respect to change in control clauses) are to be obtained by the Target. Please elaborate on what these relate to.

Company's Response:

It is the obligation of the Vendor to ensure that the Target obtains all necessary consents, approvals and waivers (in particular with respect to change in control clauses) on or prior to the completion date of the Proposed Acquisition.

Some examples of the necessary consents, approvals and waivers (in particular with respect to change in control clauses) are set out below. The list below is not exhaustive as there may be consents, approvals or waivers required to be obtained by the Target which may be discovered by the Company on or prior to completion of the Proposed Acquisition:

- a. Please refer to Paragraph 7(a)(x) of the Earlier Announcement in relation to the renewal of the money lenders license regulated under the Money Lenders Ordinance in Hong Kong held by the Target which had expired on 18 August 2021. The Vendor is required to ensure that the Target obtains the approval from the relevant regulatory authority in Hong Kong for the money lenders license;
- b. Necessary consents, approvals or waivers from banks for the Proposed Acquisition, if any; and
- c. Necessary consents, approvals and/or waivers to be obtained in accordance with the constitution of the Target and the relevant regulatory authority governing the Target for the Proposed Acquisition such as the transfer of shares in the Target to the Company by the Vendor.

6. Who are on the Board of Target and Vendor? Who is running the business of the Target?

Company's Response:

Mr Heilesen is the sole director of the Target and the Vendor. Mr Heilesen and a team of two staffs manage the operations of the Target.

7. What is required to run the business of the Target? Would the Listco be expected to fund the financing business of the Target?

Company's Response:

Firstly, a money lender license is required to run a loan financing business in Hong Kong. Secondly, competent personnel is also required to support the operation. The Company is of the view that the Target is self-sustainable without funding from the Company at the moment. However, the management of the Company may consider to fund the financing business for expansion in the future.

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By Order of Incredible Holdings Ltd.

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

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.