Securities Investors Association (Singapore)
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Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Incredible Holdings Ltd.

Stock code: RDR

Meeting details:
Date: 29 June 2022
Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. On 7 June 2022, the company announced that the independent auditor had in its Independent Auditor's Report included a qualified opinion in relation to the group's audited consolidated financial statements for the financial year ended 31 December 2021 ("FY2021").

The Basis for Qualified Opinion from the auditor's report are as follows:

(a) Impairment of website development costs
(b) Allocation method of purchase discount and net realisable value of specific inventories
(c) Acquisition of HB 2021 ApS
(d) Company level - Loan to a subsidiary and amount due from subsidiaries

The independent auditor has stated, inter alia, that:

- Based on the information available to them, they were ***unable to obtain sufficient appropriate audit evidence*** with respect to the assumptions used by management in its impairment assessment of website development costs…

- Based on the information available to them, they 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… 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…

- 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… 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 202…. Based on the responses and explanations provided relating to the acquisition of HB2021, 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…

- Based on the information available to them, 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…

Full details of the auditor's basis for qualified opinion can be found on pages 54 to 56 of the annual report.

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The auditor has notified the board and the audit committee in writing that it will not seek reappointment as the auditor of the company at the AGM.

(i) **What were the efforts by the board, especially the members of the audit committee (AC), to facilitate the independent auditor, especially with regard to providing the auditor with the necessary appropriate audit evidence in the audit of the financial statements?**

(ii) **Has the AC reviewed the level of assistance provided by management to the independent auditor? If so, is the AC satisfied with the assistance provided by management?**

(iii) **How will the AC be addressing the issues identified by the independent auditor that had provided the basis for its qualified opinion?**

(iv) **What is the timeline to resolve the matters that have been raised by the independent auditor?**

In particular, the independent auditor stated that they were unable to obtain sufficient appropriate audit evidence on the business rationale for the group's acquisition of HB2021. As noted in their audit report, the group acquired HB2021 during the financial year at a total consideration of $1.07 million when the fair value of net identifiable assets acquired was just $8,600. Goodwill arising from the acquisition of HB2021 amounted to $1,062,109 and the group recognised full impairment loss on the goodwill of $1.06 million in the financial year.

(v) **For the benefit of shareholders, what are the reasons for not halting the group's acquisitions until the board/AC completes a review of the HB2021 acquisition along with the company's acquisition framework/policy?**

(vi) **In addition, given the significance of the matters raised by the independent auditor, are there any reasons why the board or the AC had not considered a voluntary suspension of the trading of the company's shares to maintain a fair, orderly and transparent market until the board/AC can fully resolve the issues that have been identified by the independent auditor?**

Q2. In addition, on 7 June 2022, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial year ended 31 December 2021 following the finalisation of audit.

The announcement on the unaudited financial results for the financial year ended 31 December 2021 was first released via SGXNet on 28 February 2022. The announcement of material differences came more than 3 months after the company first announced the unaudited financial statements.

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Loss for the year almost doubled from $(3.39) million to $(6.32) million. Net assets and total equity decreased by more than 24% from $12.0 million to $9.13 million. Other operating expenses jumped from $1,000 to $2.89 million following the finalisation of audit.

The company also provided 37 explanatory notes in its announcement to explain the variances and reclassifications.

The chairman of the AC is Mr Stanley Leung Yu Tung and the members are Mr Leung Kwok Kuen Jacob and Ms Zhou Jia Lin.

(i) **What are the challenges faced by the company's finance and accounting staff in meeting the Singapore Financial Reporting Standards (International) (SFRS(I))?**

(ii) **How can the board assure shareholders that the financial statements are prepared in accordance with the relevant Act and prevailing financial reporting standards?**

(iii) **For shareholders' benefit, what was the level of involvement by the AC members, especially the AC chairman, in the audit of the financial statement?**

(iv) **What was the level of oversight provided by the sponsor?**

(v) **How can shareholders be assured that the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**

(vi) **In light of the material variances between the unaudited financial statements and the audited financial statements for the financial year ended 31 December 2021 and the qualified opinion by the independent auditor, what changes have been made/will be made to the group's financial reporting systems and processes?**

(vii) **In light of the qualified opinion by the independent auditor, how can the AC help assure shareholders that it has discharged its duties objectively (Principle 10 of the Code of corporate governance 2018)? If so, how so?**

(viii) **Would the board be considering reconstituting or strengthening the AC?**

Separately, the company announced on 11 June 2022 that it will withdraw the EGM notice and the circular (and defer the EGM) following a consultation with the Sponsor and communications between the Sponsor and the SGX-ST in order to include details required by SGX-ST in the EGM.

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In relation to the AGM, the company did not publish its Notice of Annual General Meeting dated 7 June 2022 until 10 June 2022 as a standalone announcement on SGXNet.

It is also observed that the company had also titled its announcement as "AUDITOR NOT SEEK FOR RE-APPOINTMENT" and had stated "The Notice of AGM has been attached Annual Report 2021 and lodged on SGXNet on 7 June 2022" (see below).



07 Jun 2022 11:22 PM	INCREDIBLE HOLDINGS LTD.	INCREDIBLE HOLDINGS LTD.	General Announcement::AUDITOR NOT SEEK FOR RE-APPOINTMENT	General Announcement

Submitted By (Co./ Ind. Name)
Christian Kwok-Leun Yau Heilesen

Designation
Executive Director

Financial Year End
31/12/2021

Event Narrative

Narrative Type	Narrative Text
Additional Text	The Notice of AGM has been attached Annual Report 2021 and lodged on SGXNet on 7 June 2022

(Source: https://www.sgx.com/securities/company-announcements?value=INCREDIBLE%20HOLDINGS%20LTD.&type=company; emphasis added)

(ix) **Can the board, especially the independent directors, help shareholders understand their level of involvement in the preparation and approval of the company's communication with shareholders?**

(x) **Are there any challenges faced by the directors, such as familiarity with the SGX listing rules and compliance, meeting corporate governance standards and applying best practices applicable to Singapore listed companies?**

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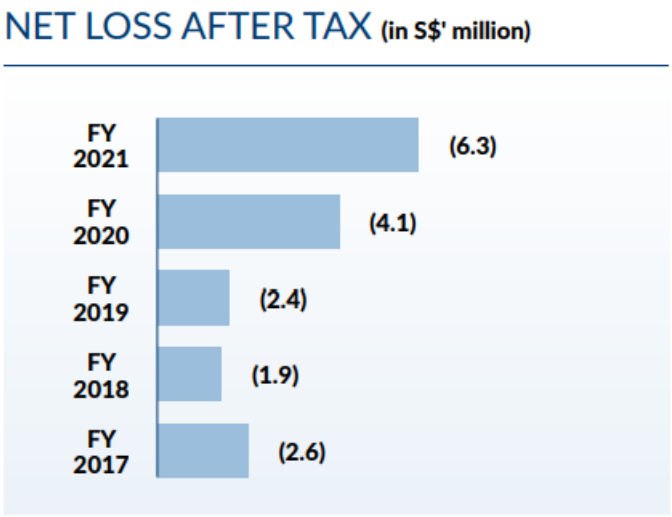
Q3. Despite revenue increasing from $3.3 million in FY2020 to $23.3 million in FY2021, loss after tax increased from $(4.1) million in FY2020 to $(6.3) million in FY2021. As shown in the financial highlights, the group has been loss-making in the past 5 years, with accumulated losses totaling $(17.3) million.



(Source: company annual report; page 18)

Despite the losses, the executive director (also controlling shareholder) received $1.0 million in bonus for the financial year (shown below). The total remuneration for Mr Christian Kwok-Leun Yau Heilesen increased from $618,105 in FY2020 to $1,556,962 even as the company's accumulated losses increased from $(39.1) million to $(54.8) million as at 31 December 2021.

DISCLOSURE ON REMUNERATION

PRINCIPLE 8:
The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation

A breakdown showing the level and mix of each Director's and key executives remuneration paid and payable for Financial Year 2021 is as follows:

Name of Director	Salary (S$)	Bonus (S$)	Other Benefits* (S$)	Directors' Fee (S$)	Total (S$)
Ms Zhou Jia Lin	64,842	–	3,113	31,124	99,079
Mr Christian Kwok-Leun Yau Heilesen	301,743	1,000,000	255,219	–	1,556,962
Mr Leung Kwok Kuen Jacob	–	–	–	31,124	31,124
Ms Eunice Veon Koh Pei Lee	–	–	–	30,000	30,000
Mr Leung Yu Tung Stanley	–	–	–	31,124	31,124

(Source: company annual report; emphasis added)

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The remuneration committee (RC) consists of Mr Leung Kwok Kuen Jacob (chairman), Ms Eunice Veon Koh Pei Lee and Ms Zhou Jia Lin.

(i) **How did the RC review the remuneration of the executive director?**

With losses increasing to $(6.3) million, the remuneration of the executive director and also controlling shareholder increased by nearly $1 million to $1.56 million.

(ii) **How did the RC benchmark the group's remuneration practices, taking into account prevailing market conditions as well as the financial and commercial health of the group?**

(iii) **Can the RC elaborate further on how the current remuneration practices are aligned to shareholders' interests? Specifically, can the RC help shareholders understand if the level and structure of remuneration are appropriate and proportionate to the sustained performance and value creation (Principle 7 of the Code of Corporate Governance 2018)?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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