

Watches.com Limited

(Company Registration Number 199904281D)
(Incorporated in the Republic of Singapore)

RESPONSES TO SGX QUERIES RECEIVED FROM THE SGX-ST ON 8 JUNE 2022

Unless otherwise defined in this announcement, capitalised terms shall have the meanings assigned to them in the Announcement and Circular (as defined hereunder).

Introduction

The Board of Directors (the “**Board**”) of Watches.com Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the announcement on 27 May 2022 (the “**Announcement**”) and circular to shareholders dated 6 June 2022 (the “**Circular**”) with regards to the proposed capital reduction and proposed distribution of warrants (collectively the “**Proposed Transactions**”).

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) had on 8 June 2022 issued queries on the Proposed Transactions. The Company sets out the queries received from the SGX-ST and the Company’s responses to these queries below:

	Query	Response
1.	Please provide the AC’s and Board’s assessment and rationale on the proposed distribution after the proposed Capital reduction to write off the accumulated losses.	<p>The AC and Board have considered that the Company has insufficient retained profits as at the date of the Announcement to effect a distribution in specie of the Incredible Warrants to Entitled Shareholders by way of dividends. Accordingly, the Company is proposing to undertake the Proposed Capital Reduction which involves a reduction of the share capital of the Company.</p> <p>Please refer to Paragraphs 2.2 and 3.3 of the Circular, for the Company’s rationale for the Proposed Transactions.</p> <p>Further, please refer to Paragraph 5 of the Circular for the Directors’ recommendation for the Proposed Transactions.</p> <p>Please refer to response to Query 5 of this announcement for the AC’s and Board’s assessment of the Proposed Transactions.</p>
2.	Please provide the AC’s and Board’s consideration of the distribution through the use of “Incredible Warrants”.	Please refer to the Company’s response to Query 3 and 5.
3.	Please provide the AC’s and Board’s assessment on and basis for the “0.575 Incredible Warrants” being distributed for every one ordinary share in the Company.	<p>The AC and Board had considered that the relative figures of the Proposed Subscription will exceed 100% on the bases set out in Catalist Rule 1006(c) should the 300,000,000 Incredible Holdings Ltd (“Incredible Holdings”)’s warrants not be distributed to the shareholders.</p> <p>As disclosed in Paragraph 3.4.2 of the Circular,</p>

		<p><i>“As the number of Incredible Warrants to be distributed pursuant to the Proposed Distribution is fixed, the distribution ratio for the Proposed Distribution will vary depending on the total number of issued ordinary shares in the Company (excluding treasury shares) as at the Record Date.”</i></p> <p>Accordingly, as further elaborated in the same paragraph of the Circular, the ratio of 0.575 is for illustrative purposes only as it is based on the 300,000,000 Incredible Holdings’ warrants to be distributed and the issued and paid-up share capital of the Company comprising 522,168,711 Shares (excluding treasury shares) as at the Latest Practicable Date of the Circular.</p>
4.	<p>Please explain why will the 300,000,000 Incredible Warrants be returned to Incredible if the “Company decides not to proceed with the proposed distribution.”</p>	<p>It has been disclosed in the Company’s circular dated 6 April 2022 in relation to the proposed subscription of perpetual bonds, perpetual convertible bonds and warrants that the 300,000,000 Incredible Holdings’ warrants was acquired for the intention to distribute to the Company’s shareholders and not meant for the Company’s own use.</p> <p>The relative figures of the Proposed Subscription will exceed 100% on the bases set out in Catalist Rule 1006(c) in the unlikely event that, (a) the Company decides not to proceed with the Proposed Distribution or that the Proposed Distribution is aborted and not completed, and (b) the Incredible Holdings’ warrants are exercised by the Company.</p> <p>As such, the said warrants will be returned to Incredible Holdings should the Proposed Distribution not proceed.</p>
5.	<p>Please provide the AC’s and Board’s views, with supporting justifications, on whether the Proposed Capital Reduction and Proposed Distribution is in the best interest of the Group and its minority shareholders.</p>	<p>The AC and Board are of the view as follows:-</p> <p>The Proposed Capital Reduction does not entail any outflow of cash or change in the net assets of the Company.</p> <p>There will not be any cancellation of ordinary shares in the Company or any reduction in the number of issued ordinary shares in the Company, and the number of ordinary shares in the Company held by each Shareholder will remain the same before and immediately after the Proposed Capital Reduction. The Proposed Capital Reduction will also not involve the payment of any paid-up share capital of the Company to any Shareholder.</p> <p>The Proposed Distribution is distributed amongst the shareholders of the Company on a pro-rata basis at a record date to be determined in due course. For the avoidance of</p>

		<p>doubt, the warrants to be distributed will be at no cost to Shareholders should the Proposed Distribution proceed.</p> <p>On the basis of the above, the AC and the Board are of the view that the Proposed Capital Reduction and Proposed Distribution is in the best interest of the Group and its shareholders.</p>
6.	<p>Please provide the Sponsor's views, with supporting justifications, on whether the Proposed Capital Reduction and Proposed Distribution is in the best interest of the Group and its minority shareholders.</p>	<p>The Sponsor has considered:</p> <ul style="list-style-type: none"> • The assessment and rationale by the Company, AC and Board on the Proposed Transaction; and • The AC's and Board's views, with their supporting justifications, on whether the Proposed Transactions are in the best interest of the Group and its minority shareholders. <p>In consideration of the above and to the best of the Sponsor's knowledge, we note that:-</p> <ul style="list-style-type: none"> • The Proposed Capital Reduction is to be undertaken in order to restructure its financial position of the Company, which in turn is to facilitate the Proposed Distribution; • From the Company's perspective and in light of the listing requirements, the Company does not intend to be the holder of the 300,000,000 Incredible Holdings' warrants. Depending on the circumstances, the Company's proposed allotment of the 300,000,000 Incredible Holdings' warrants will be distributed to its shareholders or returned to Incredible Holdings; and • From a Shareholder's perspective, the Incredible Holdings' warrants are received at no cost. Costs, if any, would be incurred when the Shareholder chooses to exercise such warrants. Furthermore, if and when the Incredible Holdings' warrants are exercised, any dilution of shareholding would occur at Incredible Holdings and not at the Company. <p>As such, we are unaware of any reasons why the Proposed Transactions might not be in the best interest of the Group and its minority shareholders.</p>
7.	<p>Please confirm whether there are any other material information that shareholders should be aware of.</p>	<p>To the best of the Company's knowledge, there is no material information that has not been announced which shareholders should be aware of.</p>

8.	Please list down all fund raising, acquisitions, disposals, issuances of warrants, bonds, and other convertibles undertaken by Watches.com Limited / Ntegrator International Ltd. in the past 2 years. For each of these transactions, please provide an update of the status and where relevant, the use of proceeds and balance of proceeds.	Please refer to the Appendix 1 to this announcement.
9.	What is the cross shareholding between Watches.com / Ntegrator and Incredible Holdings currently, and assuming exercise of all warrants, bonds and other convertibles issued / to be issued by both issuers?	<p>As of date of this announcement, there is no cross shareholding between the Company and Incredible Holdings.</p> <p>For the effect arising from the conversion and exercise of all warrants, bonds, and other convertibles issued by the Company, please refer to the dilution effect set out on page 21 of the announcement dated 1 January 2022 (updated to the shareholdings held to date) as shown in Appendix 2 to this announcement.</p> <p>The Board is not privy to the shareholding of Incredible Holdings.</p>
10.	Who are the common shareholders in Watches.com and Incredible Holdings, and what are their shareholdings?	As of date of this announcement, Christian Heilesen is deemed interested in 10.9% of the Company's shares through his interest in Mission Well Limited and 59.14% of Incredible Holdings.
11.	What are the Board's plans for Watches.com Limited and Incredible Holdings Ltd.?	<p>The Board has announced a rights issue offering to, amongst others, fund its proposed acquisition of, <i>inter alia</i>, the domain names "Watches.com", "Watches.net", "Watches.ca" and "Watches.co" as part of its entry into a non-binding letter of intent relating to Watches.com. Please refer to the Company's announcement dated 19 January 2022 for further details.</p> <p>The Board is not privy to the plans of Incredible Holdings.</p>

Appendix 1

S/N	Details	Status	Use of Proceeds (S\$)	Balance of proceeds (S\$)
1.	Proposed placement exercise of 187,863,480 Subscription Shares to Ms Zhou Qilin	Completed	S\$2.0 mil ⁽¹⁾	0
2.	Proposed placement exercise of 172,400,000 Subscription Shares to Ms Zheng Ze Li and Industrial Electronics Pte Ltd ("IEPL")	Completed	S\$1.8 mil ⁽²⁾	0
3.	Proposed Subscription	On-going	N/A	N/A
4.	Proposed Issuance	On-going	N/A	N/A
5.	Acquisition of Fund Joy Limited	Completed	N/A ⁽⁵⁾	N/A
6.	Acquisition of Golden Ultra Limited	Completed	N/A ⁽⁵⁾	N/A
7.	Acquisition of Gadmobie Group	Completed	N/A ⁽⁵⁾	N/A
8.	Issuance of 172,400,000 Warrants to Ms Zheng Ze Li and IEPL	Completed	S\$1.2 mil ^{(3) (4)}	0
9.	Proposed renounceable non-underwritten right issue of up to 8,890,293,570 new ordinary shares in the capital of the Company and up to 5,926,862,380 free detachable warrants.	On-going	N/A	N/A
10.	Entry into a non-binding letter of intent relating to the Acquisition of Watches.com	On-going	N/A	N/A
11.	Proposed Acquisition of Shares of Arion Entertainment Singapore Limited	On-going	N/A	N/A
12.	Disposal of Shares of Arion Entertainment Singapore Limited	Completed	N/A ⁽⁵⁾	N/A

Notes:

(1)

Use of proceeds	Amount Utilised S\$
To fund Acquisitions and New Business Opportunities	1.6 million
General Working Capital Requirements	0.4 million*
Total	2.0 million

* The amount utilised for general working capital requirements comprise a payment of S\$223,045.30 to suppliers and professional advisors, and a sum of S\$178,000 placed in an escrow account in connection with fees alleged to be due and owing by the Company to Asian Corporate Advisors Pte. Ltd.. Shareholders are advised to read the full text of the announcements made by the Company on 11 August 2021 and 27 August 2021, which are available on SGXNET, for further details on fees alleged to be due and owing by the Company to Asian Corporate Advisors Pte. Ltd..

(2)

Use of proceeds	Amount Utilised S\$
General Working Capital Requirements	1.8 million*
Total	1.8 million

* The amount utilised for general working capital comprise general administrative expenses, including payment of salaries, office rental and general expenses, of approximately S\$1.8 million.

(3)

Use of proceeds	Amount Utilised S\$
General Working Capital Requirements	1.2 million*
Total	1.2 million

* The amount utilised for general working capital comprise general administrative expenses, including payment of salaries, office rental and general expenses, of approximately S\$1.2 million.

(4) Following the exercise of 140,850,000 warrants into 140,850,000 shares at an exercise price of S\$0.0082, amounting to proceeds of S\$1.2 million, there are 31,550,000 warrants outstanding as at the date of this announcement. Following to the completion of share consolidation, the number of warrants outstanding shall be adjusted to 10,516,667.

(5) Not applicable as the corporate actions were related to acquisitions or disposals which were not fund raising activities.

Appendix 2

	As at the date of this announcement		Scenario A ⁽¹⁾		Scenario B ⁽²⁾	
	Number of Shares	% ⁽³⁾	Number of Shares	% ⁽⁴⁾	Number of Shares	% ⁽⁵⁾
<u>Directors of the Company</u>						
Christian Kwok-Leun Yau Heilesen	57,104,833 ⁽⁶⁾	10.9	957,194,842 ⁽⁷⁾	69.0	4,290,528,175 ⁽⁸⁾	90.87
Han Meng Siew ⁽⁹⁾	9,293,800	1.8	9,293,800	0.7	9,293,800	0.2
<u>Substantial Shareholders of the Company</u>						
Zheng Ze Li	68,033,333	13.0	68,033,333	4.8	68,033,333	1.4
Incredible Holdings Ltd.	-	-	900,090,009	63.3	4,233,423,342	89.0
Other Shareholders	387,736,665	74.3	387,736,665	27.2	387,736,665	8.2
Total	522,168,711	100.00	1,422,258,720	100.00	4,755,592,053	100.00

Notes:

- (1) Assuming that the Proposed Issuance was completed and 900,090,009 Conversion Shares were issued upon conversion of all of the Perpetual Convertible Bonds.
- (2) Assuming that the Proposed Issuance was completed, 900,090,009 Conversion Shares were issued upon conversion of all of the Perpetual Convertible Bonds and 3,333,333,333 Exercised Shares were issued upon exercise of all of the Warrants.
- (3) Based on the existing total issued share capital of the Company (excluding treasury shares and subsidiary holdings) comprising 522,168,711 ordinary shares as at the date of this announcement.
- (4) Based on the enlarged total issued share capital of the Company (excluding treasury shares and subsidiary holdings) comprising 1,422,258,720 ordinary shares assuming Scenario A.
- (5) Based on the enlarged total issued share capital of the Company (excluding treasury shares and subsidiary holdings) comprising 4,755,592,053 ordinary shares assuming Scenario B.
- (6) Mr Christian Kwok-Leun Yau Heilesen is deemed to have an interest in 57,104,833 ordinary shares in the Company held by Mission Well Limited.
- (7) Mr Christian Kwok-Leun Yau Heilesen is deemed to have an interest in 57,104,833 ordinary shares in the Company held by Mission Well Limited and will be deemed to have an interest in 900,090,009 ordinary shares in the Company held by Incredible Holdings Ltd..
- (8) Mr Christian Kwok-Leun Yau Heilesen is deemed to have an interest in 57,104,833 ordinary shares in the Company held by Mission Well Limited and will be deemed to have an interest in 4,233,423,342 ordinary shares in the Company held by Incredible Holdings Ltd..
- (9) Mr Han Meng Siew holds 3,796,880 ordinary shares in the Company and is deemed to have an interest in 5,497,000 ordinary shares in the Company held by his spouse, Mdm Goh Siok Kuan.

By Order of the Board of Directors of
Watches.com Limited

Christian Kwok-Leun Yau Heilesen
Executive Director

10 June 2022

This document has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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