Ntegrator International Ltd.

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

ANNOUNCEMENT ON RESPONSES TO QUERIES RECEIVED FROM THE SGX-ST ON 12 OCTOBER 2021

Introduction

The Board of Directors (the "**Board**") of Ntegrator International Ltd. (the "**Company**") refers to:

(a) the announcement made by the Company on 12 October 2021 titled "*Proposed Acquisition of Gadmobe Group – Entry into Share Purchase Agreement*" (the "**Proposed E-commerce Business Acquisition Announcement**"); and
(b) the announcement made by the Company on 12 October 2021 titled "*Proposed Acquisition of Golden Ultra Limited - Entry into Share Purchase Agreement as an Interested Person Transaction*" (the "**Proposed New Watch Business Acquisition Announcement**").

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") had on 12 October 2021 issued queries on the Proposed E-commerce Business Acquisition Announcement and the Proposed New Watch Business Acquisition Announcement. The Company sets out the queries received from the SGX-ST and the Company's responses to queries issued by the SGX-ST below.

Unless otherwise defined in this announcement, capitalised terms shall have the meanings assigned to them in the Proposed E-commerce Business Acquisition Announcement and the Proposed New Watch Business Acquisition Announcement (as the case may be).

Proposed E-commerce Business Acquisition

	Query	Response
1.	What is the Vendor's rationale for incorporating a private limited company in BVI, instead of selling 85% interest in each of Shasha Lab Limited, Gadmobe Interactive Limited, GZ Youlvyou Info Tech Co Ltd and Bass of Hala OÜ?	The rationale for the reorganisation of the said entities into a private limited company is to streamline the financial reporting in the organisation moving forward.
2.	The Independent valuer did not adopt the market approach in its valuation as the business of Gadmobe Group is still at an expansion stage and the market approach has significant limitations in accurately quantifying future growth. As such, the income approach is adopted to capture all future benefits of	

	Query	Response
	Gadmobe Group via financial projections and such economic benefits are then discounted back to the present date by a discount rate that properly reflects the business risks. The discounted cash-flow method assumes that the forecasted income / cash-flow will not necessarily be stable in the near term but will stabilise in the future.	
	• Please clarify if each of the Target companies in Gadmobe Group has commenced operations with recurring revenue and sustaining profits and regular customer base.	Each of the Target companies in Gadmobe Group has commenced operations with recurring revenue and sustaining profits and regular customer base.
	• Are the audited financial statements of the Gadmobe Group available?	The audited financial statements of the Target Companies are available except for that of COD Centre Pte Ltd as its audit is currently in progress and its audited financial statements will be available in mid of November 2021.
	• What are the key assumptions adopted in the financial projection and the valuation? For instance, the rate of growth, how many years of projections and discount rate were used for the valuation? Please explain the basis for applying such variables.	Please see below the key assumptions in the Valuation Report: 1) During the projection period, the revenue is expected to increase from HKD 12.0 million in FY2022 to HKD 19.9 million in FY2025, representing a compound annual growth rate ("CAGR") of 18.1% per annum. Based on the financial records of Gadmobe Group, the historical revenue from FY2017 to FY2020 amounted from HKD 12.9 million to HKD 21.3 million, with an average of HKD 18.0 million. 2) The gross margin is expected to remain stable at 59.8% from FY2022 to FY2025. Such gross margin is consistent with the margin recorded in FY2021, and as Gadmobe Group would focus on existing business, the gross margin is not expected to change significantly in the projection period. 3) The selling, general and administrative ("SG&A") expenses is expected to increase from HKD 4.1 million in FY2022 to HKD 4.5 million in FY2025, representing a CAGR of 3% per annum. As Gadmobe Group focuses on online services, the SG&A is relatively stable comparing to the growth of revenue and cost of sales. 4) The forecast period is from 1 April 2021 to 31 March 2025. Subsequently, the valuer has further constructed the financial forecast into the

	Query	Response
		end of FY2031 (i.e., 31 March 2031), before entering the perpetual growth period beginning in FY2031. Gadmobe Group is expected to stabilize its business scale in 10 years, and starting from FY2032 the management will maintain the business scale and the business growth will be relatively stable in long term. 5) During FY2026 to FY2031, the Gadmobe Group is projected to enter a transition stage where the growth gradually decreases to converge with the perpetual growth rate. In FY2026 the growth is expected to be 15%, from FY2027 to FY2029 the growth is expected to be 10% and from FY2030 to FY2031 the growth is expected to be 5%. 6) The valuer adopted the weight average cost of capital (the "WACC") as the benchmark discount rate of the Gadmobe Group. WACC comprises two components: cost of equity and cost of debt. Cost of equity was developed using Capital Asset Pricing Model (the "CAPM"). The CAPM states that an investor requires excess returns to compensate systematic risks and an efficient market provides no excess return for other risks. Cost of debt was developed with reference to the benchmark borrowing rate. The adopted WACC is 11.1% used in the valuation report. The Valuation Report is available for inspection at the Company's registered address for three months from the date of this announcement.
3.	The Independent Valuer is of the opinion that the market value of the 100% equity interest of Gadmobe Group, as at 30 June 2021, was HK$80,750,000 (equivalent to approximately S$14.1 million), including amount due from the Vendor pursuant to the loans made by the Target Group Companies to the Vendor. The Company is paying S$17.9 million for 85% stake in the Proposed E-commerce Business. – Please explain the Board's considerations in paying a premium for this acquisition, in view that the valuation amount of S$14.1 million already includes the amount due from the Vendor from the loans made by the Target Group and that	As extracted from the Proposed E-commerce Business Acquisition Announcement under the section "Rationale for Premium over the Valuation" below: *The Independent Valuer was commissioned to conduct an independent valuation on market value of the 100% equity interest of Gadmobe Group. The market value of the 100% equity interest of Gadmobe Group indicated in the Valuation Report does not take into account benefits to the Group arising from the Proposed Acquisition. Other reasons for the premium over the valuation include but is not limited to the following:* *(a) The Group may leverage on Gadmobe Group's proprietary systems to aid in the Group's daily operations and business intelligence as well as the Group's expansion into the e-commerce business.*

	Query	Response
	the Target Group Companies shall declare dividends of S$1.6 million to the Vendor by 30 June 2022.	*(b) Gadmobe Group has a team of 30 employees with years of experience in advertising, payment, logistics, sourcing and programming which are essential in a global e-commerce business.* *(c) Gadmobe Group has a large network of suppliers, customers, marketers, payment gateways and logistics networks, and long business relationships with such suppliers, customers, marketers, payment gateways and logistics networks.* *(d) Gadmobe Group may leverage on the Group's financial resources and capabilities to rapidly expand its e-commerce business globally, including an expansion of its setup as well as an expansion of its existing e-commerce website and fashion brand.* *(e) The Proposed Acquisition makes sense economically – there are time and cost savings for the Group to acquire Gadmobe Group which has a profitable track record and use its financial resources and capabilities to rapidly expand Gadmobe Group's e-commerce business.* *(f) Building a fresh e-commerce business with no track record will take time and management resources from the Group, and there are significant costs and risks for the Group to build fresh e-commerce business itself. Furthermore, there is no certainty that the Group will be able to achieve a good or profitable outcome. The Proposed Acquisition will shortcut the road to profitability of the Group's e-commerce business while enabling the Group to leverage on Gadmobe Group's existing setup, human resources, skills and capabilities.* *(g) The Consideration shall be paid to the Vendor by way of Promissory Notes which shall bear interest at a rate of 8% per annum. Accordingly, the Consideration does not need to be satisfied immediately out of the Group's existing capital and cash resources and enables the Company to enter into the Share Purchase Agreement without straining the cash-flow of the Group in the short term.* *(h) The Proposed Acquisition enables the Group to leverage on Gadmobe Group's existing China office and setup to enter the China market as well as the significant human resources which Gadmobe Group has in its China office to source for products for the Group's future e-commerce business which has time and cost efficiencies given the close proximity to major suppliers of such products.*

	Query	Response
		(i) Gadmobe Group may facilitate the rapid hiring for the Group's research and development as well as business development teams for the Group's existing and future businesses. *(j) The Board is of the view that the Proposed Acquisition will provide the Group with new revenue streams and improve its prospects, and is part of the Group's corporate strategy to have diversified returns and the potential for long-term growth.*
4.	The purchase consideration of S$17.9 million comprises of (i) S$15.2 million and; (ii) the maximum Earnout Incentive of HK$15.4 million. The Earnout Incentive is based on the financials of the Group for the 6 months ending 30 June 2022. • Please explain the rationale why the Earnout Incentive is based on the Group's financials, and not only on the financials for the Gadmobe Group.	As extracted from the Proposed E-commerce Business Acquisition Announcement under the section "*Consideration"* below, *The Company shall pay the Vendor an earnout incentive (calculated based on the formulas below) (the "Earnout Incentive") in two tranches. The first tranche of the Earnout Incentive shall be paid within seven business days from the date the Company announces its unaudited consolidated financial statements of the Group for the six months ending 30 June 2022 via SGXNet. The second tranche of the Earnout Incentive shall be paid within seven business days from the date the Company announces its audited consolidated financial statements of the Group for the financial year ending 31 December 2022. The maximum Earnout Incentive payable by the Company to the Vendor, in aggregate, shall be HK$15.4 million (equivalent to approximately S$2.7 million).* *First Tranche of the Earnout Incentive = HY EBITDA ×8 ×85%* *Where "HY EBITDA" means earnings before interest, taxes, depreciation and amortisation based on the* ***unaudited consolidated financial statements of the Target Group*** *for the six months ending 30 June 2022.* As stated above, <u>the Earnout Incentive is based on the Target Group's financials.</u>
5.	Please provide background and experience of the valuer, CHFT Advisory and Appraisal.	The valuer, CHFT Advisory and Appraisal Limited, a licensed firm under Royal Institution of Chartered Surveyors ("RICS") and Hong Kong Institute of Surveyors, provides solutions in real estate consultancy, business and market research consultancy, property and business valuation and environmental, social and governance ("ESG") / sustainability advisory services.

	Query	Response
		Please see the list of business valuations conducted by CHFT Advisory and Appraisal Limited: 1) Valuation of 100% equity interest of 浙江新雲聯數字科技有限公司 in June 2020; 2) Valuation of 100% equity interest of CBG Fintech Holdings Limited in August 2020; 3) Valuation of 100% equity interest of Ordos Blockchain Cloud Computing Technology Co., Ltd in August 2020; and 4) Valuation of 80% equity interest of Cedar Technology Group Co., Ltd in June 2021.
6.	What is the Board's rationale paying the Vendor by way of Promissory Notes with an interest rate of 8% per annum? Did the Board consider other financing options? How is this in the best interest of the Company and its shareholders?	As disclosed in the Proposed E-commerce Business Acquisition Announcement, payment via Promissory Notes ("**PN**") means the Consideration does not need to be satisfied immediately out of the Group's existing capital and cash resources and enables the Company to enter into the Share Purchase Agreement without straining the cash-flow of the Group in the short term. As stated under point (f) of "*Principal Terms of the Promissory Notes*" in the Proposed E-commerce Business Acquisition Announcement, *The Company may give a Noteholder 14 business days' notice in writing to redeem one or more Promissory Notes held by that Noteholder at 100% of their principal value without cost or penalty at any time after such Promissory Notes were issued, and the date failing on the 14th business day after the date of receipt of the redemption notice shall be the "Elected Redemption Date". On the Elected Redemption Date, the Certificate representing such Promissory Notes to be redeemed shall be surrendered (at the registered office of the Company). In the case of a redemption of part only of a holding of Promissory Notes represented by one Certificate, a new Certificate in respect of the balance of the holding not redeemed shall be issued to the Noteholder. All interest accrued on the Promissory Notes shall be paid on the Elected Redemption Date. For the avoidance of doubt, the Promissory Notes are not redeemable at the option of the Noteholders.* As such, the redemption of the PN, which is unsecured and unsubordinated, is at the discretion of the Company which allows the Company to be in control of when it makes payment to the Vendor

	Query	Response
		despite the Group already having control of the acquired assets. The Board considered other financing options available in the market but none of the financing options considered were suitable for the Company as compared to the PN, given the Company's relatively small market capitalisation of approximately S$19.93 million as at 6 October 2021[1]. ***Note*** *1. The Company had requested for a trading halt on 7 October 2021 and accordingly, this was the last full market day on which trades were done preceding the date of the share purchase agreement.* Further, as stated in the Proposed E-commerce Business Acquisition Announcement, *The Board confirms that it shall procure that the Company, in exercising its right of redemption set out in paragraph (f) above, shall do so in a manner which is in the best in the best interests of the Company and its shareholders and in circumstances that such redemption would not result in Group being unable to continue as a going concern or negatively affect the Group's financial performance.* The Board confirms that it in the best interests of the Company and its shareholders after taking into account of the above.
7.	Upon and after completion of the sale and purchase of the Sale Shares, the Vendor Mr Tam Ki Ying shall be appointed as an executive director of the Company. Will there be a service agreement with non-competition clauses?	As extracted under point (c) and paragraph 1 of the section *"Service Contracts"* from the Proposed E-commerce Business Acquisition Announcement below, *The Company proposes to enter into a service agreement with the Vendor in connection with the appointment of the Vendor as an executive director of the Company.* *The Vendor shall be subject to usual and customary non-solicitation provisions and restrictive covenants.* The Vendor shall be subject to usual and customary non-solicitation provisions and restrictive covenants (which include non-compete provisions).
8.	How did the Company get to know the Vendor Mr Tam Ki Ying?	As part of the Group's efforts to source for new businesses to acquire to provide new revenue streams in the event that any of the Group's existing

	Query	Response
		business are impacted by COVID-19 or otherwise as part of the Group's corporate strategy to have diversified returns and the potential for long-term growth, the Group learned of Mr Tam Ki Ying through an online advertisement on the internet. Mr Tam Ki Ying has more than 15 years of experience in internet payment systems, e-commerce, digital content and advertising.

Proposed New Watch Business Acquisition – An IPT

	Query	Response
9.	Golden Ultra Limited is incorporated recently on 2 July 2021 and CKLY Trading Limited is incorporated on 14 May 2014.	
	• Please clarify if Golden Ultra Limited and CKLY Trading Limited are operating with recurring revenue and sustaining profits and regular customer base. • Are the audited financial statements of these two target companies available?	Golden Ultra Limited is solely an investment holding company with no other business/operations and accordingly no regular customer base. Golden Ultra Limited is incorporated on 2 July 2021 and therefore no audited financial statements are available. CKLY Trading Limited is operating with recurring revenue and sustaining profits and regular customer base. The audited financial statements of CLY Trading Limited are available.
10.	CKLY Trading Limited is valued at S$24.1 million as at 30 June 2021. The total consideration for the 55% stake in the Proposed New Watch Business Acquisition is approximately S$19.2 million. The Consideration comprises of (i) S$14.4 million to be paid to the Vendor by way of the Promissory Notes; and (ii) the maximum Earnout Incentive of approximately S$4.8 million by way of Promissory Notes.	
	• What is the valuation for Golden Ultra Limited?	No valuation was conducted for Golden Ultra Limited as it is solely an investment holding company with no other business/operations.
	• Please explain the rationale why the Earnout Incentive is based on the Group's financials, and not only on the financials for Golden Ultra Limited and CKLY Trading Limited.	As extracted from the Proposed New Watch Business Acquisition Announcement under the section "*Consideration*" below, *the Purchaser shall pay the Vendor an earnout incentive (calculated based on the formula below) (the "**Earnout Incentive**") in two tranches. The first*

	Query	Response
		tranche of the Earnout Incentive shall be paid within seven business days from the date the Company announces its audited consolidated financial statements of the Group for the six months ending 30 June 2022 via SGXNet. The second tranche of the Earnout Incentive shall be paid within seven business days from the date the Company announces its audited financial statements of the Group for the financial year ending 31 December 2022. The maximum Earnout Incentive payable by the Purchaser to the Vendor, in aggregate, shall be HK$27.5 million (equivalent to approximately S$4.8 million). $First\ Tranche\ of\ the\ Earnout\ Incentive = HY\ EBITDA\ \times 8\ \times 55\%$ *Where "HY EBITDA" means earnings before interest, taxes, depreciation and amortisation based on the* ***unaudited consolidated financial statements of the Target Group*** *for the financial year ending 30 June 2022.* As stated above, <u>the Earnout Incentive is based on the Target Group's financials.</u>
11.	What is the Board's rationale paying Mr Christain Kwok-Leun Yau Heilesen (the Company's Executive Director) by way of Promissory Notes with an interest rate of 8% per annum? Did the Board consider other financing options? How is this in the best interest of the Company and its shareholders?	As disclosed in the Proposed New Watch Business Acquisition Announcement, payment via Promissory Notes ("**PN**") means the Consideration does not need to be satisfied immediately out of the Group's existing capital and cash resources and enables the Company to enter into the Share Purchase Agreement without straining the cash-flow of the Group in the short term. As stated under point (f) of "*Principal Terms of the Promissory Notes*" in the Proposed New Watch Business Acquisition Announcement, *The Company may give a Noteholder 14 business days' notice in writing to redeem one or more Promissory Notes held by that Noteholder at 100% of their principal value without cost or penalty, and the date failing on the 14th business day after the date of receipt of the redemption notice shall be the "Elected Redemption Date". On the Elected Redemption Date, the Certificate representing such Promissory Notes to be redeemed shall be surrendered (at the registered office of the Company). In the case of a redemption of part only of a holding of Promissory Notes represented by one Certificate, a new Certificate in respect of the balance*

	Query	Response
		of the holding not redeemed shall be issued to the Noteholder. All interest accrued on the Promissory Notes shall be paid on the Elected Redemption Date. As such, the redemption of the PN, which is unsecured and unsubordinated, is at the discretion of the Company which allows the Company to be in control of when it makes payment to the Vendor despite the Group already having control of the acquired assets. The Board considered other financing options available in the market but none of the financing options considered were suitable for the Company as compared to the PN, given the Company's relatively small market capitalisation of approximately S$19.93 million as at 6 October 2021[1]. The Board confirms that it in the best interests of the Company and its shareholders after taking into account of the above. Further, Mr Heilesen shall abstain from the decision-making process in relation to the redemption of the PN. ***Note*** 1. *The Company had requested for a trading halt on 7 October 2021 and accordingly, this was the last full market day on which trades were done preceding the date of the share purchase agreement.* Further, as stated in the Proposed New Watch Business Acquisition Announcement, *The Board confirms that it shall procure that the Company, in exercising its right of redemption set out in paragraph (f) above, shall do so in a manner which is in the best in the best interests of the Company and its shareholders and in circumstances that such redemption would not result in Group being unableto continue as a going concern or negatively affect the Group's financial performance.*
12.	What is the Company's rationale for entering into these two acquisitions at the same time? Having considered the various proposed acquisitions/plans in different sectors announced by the Company in the past 6 months, please elaborate on the Board's plans for the Group going forward.	The Company is of the view that entering these two acquisitions at the same time would enable cost savings and logistic ease in preparing the circulars and convening an extraordinary general meeting to seek shareholders' approval for the two acquisitions. The Board's plans for the Group are set out as below.

	Query	Response
		1) The Board is looking to seek shareholders' approval for a business diversification; 2) As mentioned in the Company's response for Q13 below, the Board is also in discussions to enter a business collaboration with China Mobile; 3) The Board of Directors is constantly looking for corporate development opportunities that will enable the Company to become profitable, diversify its revenues, enter new areas of growth and enable the Company to monetise, grow and develop its assets and balance sheet.
13.	On 5 October 2021, the Company also announced a non-binding MOU with China Mobile Group Guangdong Co., Ltd. • Please update the progress of this business collaboration and clarify if this is also part of the Company's diversified new business which the Company is seeking shareholders' approval in an EGM.	The Company is currently in discussions with China Mobile Group Guangdong Co., Ltd to sign definitive agreements within the timeline as disclosed in the previous announcement for the business collaboration. The non-binding MOU with China Mobile Group Guangdong Co. Ltd <u>falls within the ordinary course of current existing business of the Company</u>.

By Order of the Board
Ntegrator International Ltd.

Leung Kwok Kuen Jacob
Independent Non-Executive Chairman and Independent Non-Executive Director

14 October 2021

This announcement 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.

The contact person for the Sponsor is Ms Gillian Goh, 16 Collyer Quay #10-00 Income at Raffles Singapore 049318, sponsorship@ppcf.com.sg.