

**ALLIED TECHNOLOGIES LIMITED**

(Incorporated in the Republic of Singapore)

(Registration Number 199004310E)

**VARIANCES BETWEEN THE AUDITED FINANCIAL STATEMENTS AND THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

The Board of Directors (the "**Board**") of Allied Technologies Limited (the "**Company**") and together with its subsidiaries, the "**Group**") refers to the Unaudited Full Year Financial Statements for the year ended 31 December 2018 ("**FY2018**") released by the Company on 1 March 2019 ("**Unaudited Financial Statements**").

Pursuant to Rule 704(5) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), the Board wishes to announce that upon completion of the audit of the financial statements of the Group and of the Company for FY2018 by the Company's independent auditor, Ernst & Young LLP (the "**Audited Financial Statements**"), adjustments and reclassifications are made to the Audited Financial Statements and the details of which are set out as follows:

Extract of the consolidated statement of comprehensive income for FY2018

	<b>Audited Financial Statements</b>	<b>Unaudited Financial Statements</b>	<b>Variance</b>	<b>Explanatory Note*</b>
	\$'000	\$'000	\$'000	
Revenue	125,919	126,643	(724)	(a)
Gross profit	11,354	12,078	(724)	(a)
Other income	1,681	857	824	(b)
General and administrative expenses	(42,124)	(9,889)	(32,235)	(c)
Income tax expense	(270)	(346)	76	
(Loss)/profit for the financial year	(29,996)	2,160	(32,156)	(d)

\*For variance more than \$100,000.

## Explanatory notes:

- (a) The variance is mainly due to reclassification of an income arising from consultancy services that the Company's subsidiary Asia Box Office Pte. Ltd. ("ABO"), provided to the principal in relation to an international sporting event from 1 January 2018 to 31 December 2018 for a consideration of US\$660,000 (~S\$891,387). The Group acquired a 51% stake in ABO on 4 April 2018. Post-acquisition of ABO, the Group pro-rated the fees to be received, and S\$668,540 of the consultancy fee received was reclassified to other income. Consequently, the gross profit of the Group decreased.
- (b) The variance is mainly due to reclassification of income from revenue as mentioned in Note (a) and revaluation of an amount due from other debtor of \$100,311.
- (c) The variance is mainly due to (i) an impairment loss of \$31,274,000 to write-down the carrying amount of goodwill arising from the acquisitions of ABO and Activpass Holdings Pte. Ltd. ("Activpass") as the recoverable amount derived based on value in use calculations exceeded

the carrying amount (ii) additional allowance of \$275,000 for a receivable due from a joint venture that ABO had entered into, ABO Labs Pte. Ltd. ("ABO Labs") and (iii) amortisation of intangible assets of \$565,972 from business combinations of ABO and Activpass during FY2018.

(d) The Group is in a net loss position largely due to the reasons set out in Note (c).

Extract of the balance sheets as at 31 December 2018

	Group			Company			Explanatory Note*
	Audited Financial Statements \$'000	Unaudited Financial Statements \$'000	Variance \$'000	Audited Financial Statements \$'000	Unaudited Financial Statements \$'000	Variance \$'000	
<b>Non-current assets</b>							
Intangible assets	24,080	55,517	(31,437)	–	–	–	(e)
Investment in subsidiaries	–	–	–	53,083	83,625	(30,542)	(f)
<b>Current assets</b>							
Trade debtors	21,297	21,320	(23)	–	–	–	
Other debtors	6,371	8,350	(1,979)	11	12	(1)**	(g)
Contract assets	1,500	–	1,500	–	–	–	(h)
Cash and bank balances	9,016	43,558	(34,542)	127	33,576	(33,449)	(i)
Amount due from a law firm	34,542	–	34,542	33,449	–	33,449	(i)
<b>Current liabilities</b>							
Contract liabilities	827	–	827	–	–	–	(j)
Other creditors and accruals	8,069	10,483	(2,414)	419	1,897	(1,478)	(k)
Amount due to former directors	1,479	–	1,479	1,479	–	1,479	(l)
Income tax payable	192	172	20	–	–	–	
<b>Net current assets</b>	49,663	50,077	(414)	31,559	31,560	(1)**	(m)
<b>Non-current liabilities</b>							
Deferred tax liabilities	29	6	23	–	–	–	
<b>Net assets</b>	94,976	126,848	(31,872)	91,968	122,511	(30,543)	(n)
<b>Equity attributable to owners of the Company</b>							
Statutory reserve fund	131	118	13	–	–	–	
(Accumulated losses)/ retained earnings	(21,692)	9,998	(31,690)	(24,119)	6,423	(30,542)	(n)

\*For variance more than \$100,000.

\*\* Rounding.

Explanatory notes:

(e) As disclosed in Note (c), an impairment loss of \$31,274,000 was recognised to write-down the carrying amount of goodwill arising from the acquisitions of ABO and Activpass during FY2018.

An impairment loss of \$23,510,000 was recognised on goodwill arising from the acquisition of ABO as a result of matters set out in Note 2.1(b) to the financial statements. ABO is also facing challenges in securing new contracts due to the issues.

An impairment loss of \$7,764,000 was recognised on goodwill arising from the acquisition of Activpass as a result of delay in funding and execution of marketing plans locally and overseas. The variance is also due to addition of intangible assets acquired from business combinations of ABO and Activpass during FY2018 with a net carrying amount of \$132,758 as at 31 December 2018.

- (f) During FY2018, impairment losses of \$22,767,000 and \$7,775,000 were made for investment in ABO and Activpass respectively. The impairment loss was made as the recoverable amounts of the costs of investment in these subsidiaries derived from value in use calculations exceeded their carrying amounts.
- (g) The variance is mainly due to (i) reclassification of contract assets of \$1,499,705 from other debtors as disclosed in Note (h) (ii) reclassification of VAT from trade debtors of \$23,555 and (iii) additional allowance of impairment loss on amount due from joint venture, ABO Labs of \$275,000. This is offset by reclassification of other debtor of \$229,670 to intercompany balance.
- (h) With the first-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") 15 *Revenue from Contracts with Customers* ("SFRS(I) 15"), the Group reclassified billings from subcontractor for services rendered for construction of tooling from other debtors to contract assets.
- (i) As at 31 December 2018, cash of \$34,542,477 were held in trust and/or in escrow by a Singapore law firm JLC Advisors LLP ("JLC"). Subsequent to year end, as of 22 January 2019, the remaining balance held in escrow by JLC is \$33,153,416 ("Escrow Funds"). The Company had made repeated demands for repayment of the Escrow Funds from JLC since 23 March 2019. On 17 May 2019, the Company's legal counsel issued a letter of demand to JLC to release the balance Escrow Funds to the Company. As there have been alleged unauthorized payments of such Escrow Funds and on-going investigation by various authorities, the Group and the Company have classified the cash of \$34,542,477 and \$33,449,229 as amount due from a law firm respectively instead of cash and cash equivalents as the Company is currently taking all steps necessary to recover the Escrow Funds from JLC.
- (j) Similar to Note (h), with the adoption of SFRS(I) 15, the Group reclassified advanced billings to customers for tooling sales from other creditors and accruals to contract liabilities.
- (k) The variance is mainly due to (i) reclassification of amount due to former directors from other creditors and accruals of \$1,479,063 and (ii) reclassification of contract liabilities of \$826,808 from other creditors and accruals as disclosed in Note (h) and (iii) adjustment to net amount due to a director related company by \$112,280.
- (l) The variance is mainly due to the reclassification of amount due to former directors as mentioned in Note (k).
- (m) The variance in net current assets is mainly due to the reasons set out in Note (g).
- (n) The variances arising from net assets and accumulated losses are mainly due to the impairment loss set out in Note (e).

Extract of the consolidated cash flow statement for FY2018

	<b>Audited Financial Statements</b> \$'000	<b>Unaudited Financial Statements</b> \$'000	<b>Variance</b> \$'000	<b>Explanatory Note*</b>
Net cash used in operating activities	(934)	(2,127)	1,193	(o)
Net cash used in investing activities	(42,883)	(41,398)	(1,485)	(p)
Net cash generated from financing activities	27,665	27,373	292	(q)
Cash and cash equivalents at end of financial year	9,016	43,558	(34,542)	(r)

(o) The variance is mainly due to reclassifications made from operating activities to investing activities and financing activities.

(p) The variance is mainly due to reclassification of capital gain tax paid and receipt of investment return on amount due from the principal of an international sporting event from operating activities to investing activities.

(q) The variance is mainly due to the reclassification of an amount due to non-controlling shareholder from operating activities to financing activities.

(r) The variance is due to reasons set out in Note (i).

**BY ORDER OF THE BOARD**

Leow Wee Kia Clement  
Chief Executive Officer and Executive Director  
8 July 2019

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*This announcement has been reviewed by the Company's sponsor, Stamford Corporate Services Pte Ltd (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST 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.*

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