

**DISCLAIMER OPINION BY THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

Pursuant to Rules 704(4) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalist (the “Catalist Rules”), the Board of Directors (the “Board”) of Allied Technologies Limited (the “Company” and together with its subsidiaries, the “Group”) wishes to announce that the Company’s independent auditor, Ernst & Young LLP (the “Independent Auditor”), has in its Independent Auditor’s report dated 5 July 2019, included a disclaimer of opinion (“Disclaimer of Opinion”) in relation to the Group’s audited financial statements and Company’s statement of financial position and statement of changes in equity for the financial year ended 31 December 2018 (the “FY2018 Independent Auditor’s Report”).

A copy of the FY2018 Independent Auditor’s Report is annexed to this announcement as “Appendix I”.

The Disclaimer of Opinion largely arose out of the issues surrounding:

- (i) the funds of Asia Box Office Pte. Ltd. (“ABO”) amounting to \$1,093,248, and funds of the Company amounting to \$33,449,229, that were held in non-interest bearing trust or escrow account with a Singapore law firm, JLC Advisors LLP (“JLC”); and
- (ii) the issues stated in the Notices of Compliance issued by Singapore Exchange Regulation Pte Ltd on 8 and 23 May 2019 (the “NOCs”).

As the Company had stated in our announcement dated 23 May 2019, JLC informed the Company that the Company’s funds of “S\$33.4 million” had been purportedly paid out from the escrow account, and that JLC is still investigating, but has reasons to believe that the said funds were paid out on the instructions of its partner, Mr. Ong Su Aun, Jeffrey, and “*might have been unauthorized*”. More information can be found in the Company’s announcement dated 23 May 2019.

As regards the NOCs, the Group will take all steps necessary to comply with the matters set out under the NOCs. In particular, as announced on 14 June 2019, the Group has already appointed PricewaterhouseCoopers Risk Services Pte Ltd (the “Special Auditor”) as the Special Auditor to undertake, amongst others, the issues highlighted under the NOCs. The Group will review the findings made by the Special Auditor, and look into the areas where corporate governance and internal controls can be further strengthened to ensure that going forward there will be adequate corporate governance and internal controls.

Notwithstanding the issues highlighted above, the Board believes that the use of the going concern in the preparation of the financial statements for the financial year ended 31 December 2018 is still appropriate after taking into consideration the following assumptions and measures:

- (a) The Group and the Company are able to obtain new banking facilities and other potential fund-raising options for their working capital requirements for the next twelve months as and when required;
- (b) The Group’s existing lenders continue to support the current credit facilities for their working capital requirements and purchase of property, plant and equipment for the next twelve months as and when required;
- (c) Review and assess the Group’s existing business strategies and overall financial performance of the Group and carry out reorganisation and restructuring of the Group as and when appropriate;

- (d) Given the positive net tangible assets ("NTA") position of the Group of \$70,895,235 (NTA of \$36,352,758 without taking into consideration the amount due from a law firm) as at 31 December 2018, the ability to unlock some value from a restructuring process;
- (e) That the Group is able to preserve and maintain its revenue streams from its business operations over the next twelve month; and
- (f) Continue to engage and maintain good relationship with the stakeholders of the Group and provide assurance to these stakeholders that business is as usual for the Group.

The financial statements of the Group and of the Company for FY2018 and the FY2018 Independent Auditor's Report will also be found in the Company's annual report for FY2018, which will be released via the SGXNET and despatched to the Company's shareholders in due course.

BY ORDER OF THE BOARD

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

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.

The contact person for the Sponsor is Mr Bernard Lui, Telephone: +65 6389 3000, Email: bernard.lui@morganlewis.com.

**Independent auditor's report
For the financial year ended 31 December 2018**

Independent auditor's report to the members of Allied Technologies Limited

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Allied Technologies Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group, and the statement of financial position of the Company. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

(a) Funds held with JLC Advisors LLP

As disclosed in Note 22 to the financial statements, as at 31 December 2018, funds of Asia Box Office Pte. Ltd. ("ABO") amounting to \$1,093,248 and funds of the Company amounting to \$33,449,229 were held in non-interest bearing trust or escrow account with a Singapore law firm, JLC Advisors LLP ("JLC").

We were unable to obtain all necessary information and explanation in respect of: (a) the business rationale for maintaining the funds with JLC for a prolonged period when there is no clear purpose for the use of such funds; (b) the legality and legitimacy of the arrangement of ABO funds held in trust with JLC due to absence of a formal agreement; and (c) transactions made through these accounts with JLC.

Accordingly, we were unable to determine the completeness of the balance, the related transactions and flow of funds and whether they are appropriately presented and disclosed in the financial statements. Due to insufficient information and evidence available to us, we were also unable to assess the existence and recoverability of the funds of the Company held by JLC.

(b) Purchase price allocation, impairment assessments of goodwill and interest in subsidiaries

During the year, the Group acquired 51% interest in ABO and its subsidiary for a consideration of \$30,000,000 and 51% interest in Activpass Holdings Pte. Ltd. ("Activpass") for a consideration of \$25,200,000. The acquisitions resulted in goodwill of \$30,185,361 and \$25,036,197 respectively. As stated in Note 11, an impairment loss of \$31,274,000 was recognised against the goodwill based on management's impairment assessment. Similarly, an impairment loss of \$30,542,000 was recognised on the related cost of investment in subsidiaries as at 31 December 2018 (Note 14).

Due to lack of information available to us, we were unable to assess the appropriateness of the fair value of assets and liabilities recorded by the Group as at the acquisition date and the recognition of resulting goodwill.

**Independent auditor's report
For the financial year ended 31 December 2018**

Independent auditor's report to the members of Allied Technologies Limited

Basis for disclaimer of opinion (cont'd)

- (b) Purchase price allocation, impairment assessments of goodwill and interest in subsidiaries (cont'd)

We were also unable to obtain sufficient appropriate evidence with respect to certain significant judgement and assumptions used in the impairment assessments due to lack of supportable information on the business growth assumptions, including securing anticipated revenue contracts and funding to support future growth.

Additionally, as disclosed in Note 45, the Group will be seeking shareholders' approval for the ratification of the acquisition of Activpass at an Extraordinary General Meeting ("EGM") to be convened by the Company. As the EGM has not been concluded, we are unable assess the potential impact of any unfavourable outcome on the accounting for the investment in Activpass.

Accordingly, we were unable to determine the appropriateness of the purchase price accounting, impairment charges and the remaining carrying values recorded as at 31 December 2018 and whether any adjustments or reclassifications are required to the financial statements with regards to the acquisition of Activpass or any consequential effect arising from the outcome of EGM.

During the year, the Company also transferred \$4,600,000 to ABO, classified as loan receivables from subsidiaries, as disclosed in Note 14 of the financial statements. Due to lack of information, we are unable to assess the recoverability of this amount.

- (c) Other debtors

As disclosed in Note 16 of the financial statements, included in other debtors of the Group as at 31 December 2018 are:

- (i) \$1,700,000 deposit with an event financier purportedly for a potential concert, in which funds were transferred from ABO to an entity indirectly owned by an Executive Director ("ED") of the Company, which then transferred the amount to the event financier. The transfers were made prior to the appointment of ED as a director of the Company;
- (ii) \$350,000 of revolving loan extended to the event financier mentioned in (i) above, which then loaned the amount to various external parties, as part of the interest-free revolving loan agreement with the same event financier for a sum up to \$3.0million; and
- (iii) \$2,181,119 deposit which we understand was for an international sporting event, which was remitted by ABO in January 2018 to a company purportedly related to the principal of the sporting event;

We have not been able to obtain all necessary information and explanations to understand the business rationale, economic substance or nature of the underlying arrangements for the above-mentioned balances, as well as the involvement of parties who do not appear to be directly related to the arrangement. Consequently, we were unable to determine the nature of these transactions and whether the amounts are properly presented and disclosed in the financial statements, and whether these transactions breached any applicable laws and regulations and have any other consequential effect on the financial statements.

Independent auditor's report
For the financial year ended 31 December 2018

Independent auditor's report to the members of Allied Technologies Limited

Basis for disclaimer of opinion (cont'd)

(c) Other debtors (cont'd)

Due to lack of information available to us, we were also unable to assess the existence and recoverability of the amounts mentioned in (i) and (iii) above.

(d) Transactions with Executive Director and/or entity owned by an Executive Director

As disclosed in Note 25 to the financial statements, included in the other creditors and accruals balance is a net amount of \$940,578 as at 31 December 2018 due to an entity owned by an Executive Director.

The amount is stated net of numerous fund transfers, accounting reclassifications and netting of balances in ABO's accounting records of transactions between ABO, the Executive Director and entity related to the Executive Director.

We have not been able to obtain all necessary information, explanations and supporting documents in respect of the nature, business rationale and economic substance of certain transactions between ABO and the Executive Director or entity related to the Executive Director. Accordingly, we were unable to determine the completeness of these transactions and whether these transactions were appropriately presented and disclosed in the financial statements. We were also unable to assess if these transactions breached any applicable laws and regulations and result in any other consequential effect to the financial statements.

(e) On-going Special audit and investigation

As disclosed in Note 46, the Special Audit and CAD investigation are ongoing as at the date of this report. The outcome of the Special Audit and CAD's investigation could uncover other information which may require adjustments and/or additional disclosures or other consequential effect in respect of current and prior year financial statements.

(f) Going concern assumption

The Group and the Company incurred a net loss of \$29,995,824 and \$32,074,072 for the financial year ended 31 December 2018. As disclosed in Note 2.1(b) to the financial statements, the directors have prepared these financial statements on a going concern basis on the assumptions that the Group and Company will continue to obtain support from its existing lenders, obtain new funding for working capital requirements and generate sufficient cash flows from operations.

However, due to insufficient information available to us and the uncertainties surrounding the outcome of matters highlighted in (a) to (e) above which may require further adjustments to the financial statements, we were unable to conclude on the appropriateness of the going concern assumption used in the preparation of the financial statements.

**Independent auditor's report
For the financial year ended 31 December 2018**

Independent auditor's report to the members of Allied Technologies Limited

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (the "ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the "ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on other legal and regulatory requirements

In our opinion, in view of the significance of the matters referred to in the Basis for disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ho Shyan Yan.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
5 July 2019