Allied Technologies Limited

6 April 2022

Strictly private and confidential

Executive Summary

Background

1. Allied Technologies Limited ("ATL") is a company listed on the Catalist Board of Singapore Exchange Securities Trading Limited ("SGX"). The principal activities of ATL are stated to be in metal stamping.
2. In April 2019, ATL announced that they had made an application to SGX to postpone its Annual General Meeting ("AGM"), as their auditors, Ernst and Young LLP ("EY") required additional time to complete its audit. Subsequently, Singapore Exchange Regulation ("SGX RegCo") issued a Notice of Compliance ("First NOC") to ATL in May 2019, which amongst other things required ATL to appoint a Special Auditor to conduct a review, following certain observations made by EY in the course of their audit.
3. Later in the same month, SGX RegCo issued a further NOC ("Second NOC") to ATL requiring the Special Auditor to investigate subsequent developments surrounding the funds held by ATL in an Escrow account with JLC Advisors LLP ("JLC").
4. In June 2019, PricewaterhouseCoopers Risk Services Pte. Ltd. ("PwC") was appointed by ATL to carry out the role of the Special Auditor as stipulated by the First and Second NOCs. As per the directive in the NOC, PwC has reported solely to SGX RegCo on the scope and all findings pursuant to the special audit.
5. This executive summary summarises PwC's findings arising from the Special Audit of ATL in respect of the following:
   - 5.1. Circumstances surrounding the disposal of ATL's two China subsidiaries and the departure of ATL's CEO at the time;
   - 5.2. ATL's diversification plans and acquisition of new entities; and
   - 5.3. Creation and operation of ATL's escrow account.

Circumstances surrounding the disposal of ATL's two China subsidiaries and departure of ATL's CEO at the time

Circumstances surrounding the disposal of ATL's two China subsidiaries

6. ATL intended to diversify from its existing metal stamping business and to build an ecosystem in e-commerce. As part of this diversification effort, two China entities, Allied Machineries (Shanghai) Co., Ltd ("AMSH") and Allied Technologies (Suzhou) Co., Ltd ("ATSU") were disposed of and two e-commerce entities, Asia Box Office Private Limited ("ABO") and Activpass Holdings Private Limited ("Activpass"), were acquired.

7. In May 2016, ATL entered into a Memorandum of Understanding ("MOU") with Carapace Daybreak Limited ("Carapace") for the sale of AMSH. Hsu Ching Yuh (Former ATL Chairman, Group Managing Director and CEO) introduced Carapace to ATL as a potential buyer. In June 2016, Hsu Ching Yuh on behalf of ATL, signed a Sales and Purchase Agreement ("SPA") with Carapace. The agreed purchase consideration was stated to be S$16.7 million for 100% of AMSH.

8. The payment for AMSH was to be made in five tranches over 30 months. Up until July 2017, only two tranches amounting to S$3.9 million were received by ATL, with S$12.8 million outstanding. Responding to Carapace's request for an early settlement in October 2017, ATL agreed through a supplemental deed to a revised payment schedule pursuant to which it would receive S$12.3 million. Low Yew Shen (Legal Counsel for ATL for the first placement exercise and acquisition of Asia Box Office Pte Ltd ("ABO") from Elitaire Law LLP ("Elitaire Law")) appeared to act on behalf of ATL in this transaction, although we sighted no formal documents recording his appointment.

9. According to Kenneth Low (ATL Executive Director, Consultant for ATL's first acquired company ABO), Low Yew Shen informed him some time in or around late November 2017 that ATL had difficulty receiving from Carapace the balance purchase consideration for AMSH and requested assistance from Kenneth Low in this regard. Kenneth Low agreed to facilitate the settlement of this outstanding amount. Kenneth Low approached his friend, Lim Tah Hwa (ATL substantial shareholder, who did not respond to our request for an interview) for financial assistance. In or around November 2017, the balance funds for the disposal of AMSH was transferred by Elitaire Law to ATL's Escrow Account[1] with JLC.

10. According to Kenneth Low, as Lim Tah Hwa did not receive any repayment from Carapace subsequently, Kenneth Low approached Low Yew Shen and Hsu Ching Yuh on Lim Tah Hwa's behalf. We were also informed by Kenneth Low that Hsu Ching Yuh wanted to sell off his stake in ATL, and that Lim Tah Hwa was interested in purchasing a stake in ATL. Through their discussions, Hsu Ching Yuh agreed to take over the amount due and owing by Carapace to Lim Tah Hwa if Lim Tah Hwa agreed to take over his stake in ATL, as a form of repayment. Out of Hsu Ching Yuh's total of 249.7 million shares that were to be part of this deal, a total of 20.3 million shares were transferred to Low Yew Shen and his mother (see paragraph 28 below).

11. At about the same time AMSH was disposed of, the possible disposal of another China subsidiary of ATL, ATSU was being considered. The Board members and Senior Management of ATL appeared to decide that the proposed consideration for the disposal would be based on Net Tangible Assets ("NTA"). A legal counsel in China was engaged to arrange for a local certified valuer and accounting firm to perform the audit, in order to fulfil applicable requirements in China.

[1] As we will explain below, ATL set up an escrow account with JLC with the intention of earmarking the public placement monies for the purchase of ABO.

12. In or around December 2017, the draft SPA and draft valuation report were received by the Board of the ATL. None of the directors other than Peter Yau (ATL Independent Director at that time) raised concerns over the valuation of ATSU. Peter Yau requested that the valuation be reconfirmed. However, Peter Yau did not follow up on his query regarding the valuation of ATSU. There appears to be no documented justification and deliberation on the reason that the Board accepted NTA as the basis for valuing ATSU.

13. Similar to the disposal of AMSH, the potential buyer of ATSU was introduced by Hsu Ching Yuh. The buyer, Hong Siou-Jhu had offered to purchase ATSU at a consideration price of S$25 million, of which S$2 million would be due upon 14 days after the SPA, and the remaining S$23 million would be due 30 days after the completion of the transaction. The SPA was signed by Hsu Ching Yuh (on behalf of ATL) in or around the middle of December 2017.

14. In late December 2017, Low Yew Shen informed Kenneth Low that Hong Siou-Jhu was having difficulty transferring the purchase consideration for the ATSU disposal to ATL's account and requested Kenneth Low's assistance, as was the case in the disposal of AMSH. Platform Capital Asia Private Limited ("PCA") (Kenneth Low's company) placed an initial S$2 million deposit with Elitaire Law, which was subsequently transferred to ATL's DBS account.

15. For the remaining S$23 million, Kenneth Low approached his friend Lam Yee Kee, the owner of ABO (through his wholly owned company, Platform Internet Capital Private Limited ("PIC")), who was due to receive S$30 million from ATL in consideration for ATL's purchase of 51% of ABO, to extend the necessary financial aid. Kenneth Low recalled that Jeffrey Ong of JLC suggested that the S$23 million due to ATL from Hong Siou-Jhu could be offset against the S$30 million ATL owed Lam Yee Kee through the Escrow Account (See paragraph 40 for more details on ABO).

Departure of the then CEO

16. In December 2017, ATL announced that Hsu Ching Yuh resigned from ATL to pursue his own interests. A termination agreement was entered into between ATL and Hsu Ching Yuh, drafted by Low Yew Shen. Pursuant to the agreement, ATL would pay Hsu Ching Yuh a sum of S$2.6 million, with a sum of S$0.2 million to be paid in January 2018, and the balance S$2.4 million paid in equal quarterly instalments over a period of two following calendar years. Hsu Ching Yuh would in turn resign from all posts and directorships in ATL and all ATL Group Companies with effect from December 2017. The said agreement contained a non-solicit and non-compete clause binding Hsu Ching Yuh for a period of 12 months from the date of the agreement. When asked, the Remuneration Committee ("RC") Chairman stated that he was not aware as to who drafted the termination agreement and he did not negotiate the payout to Hsu Ching Yuh.

17. In an email between Angeline Tan (Allied Technologies Holding COO, Former Group General Manager) and Low Yew Shen (copying Peter Yau), reference was made to a “last instalment of S$2.4 million” being paid by Hsu Ching Yuh. The amount stated in the email corresponded with the second instalment received from Carapace for the disposal of AMSH. We were unable to ascertain whether the instalment payment for the AMSH disposal was in fact paid by Hsu Ching Yuh.

18. The Board Minutes of February 2018 revealed that it was brought to the ATL Board’s attention that Hsu Ching Yuh had possibly breached the “non-compete” clause in his termination agreement. It is not clear why compensation payments continued to be made to Hsu Ching Yuh pursuant to the agreement despite “suspicions” that he was not complying with his non-compete obligations contained therein. ATL made quarterly payments of S$0.3 million each to Hsu Ching Yuh during this period, amounting to a total of S$1.2 million between April 2018 and January 2019.

Issues noted on the disposal of ATL’s two China subsidiaries and departure of ATL’s CEO at that time

19. We did not find any documentation/discussion or any due diligence assessment of Carapace’s financial standing/ability to pay the significant purchase consideration. We also did not find any evidence that the Board discussed the rationale for the disposal of AMSH or for obtaining a third-party valuation of AMSH for the purpose of the disposal.

20. We also found it to be unusual for Low Yew Shen to reveal information about the AMSH disposal to a third party, Kenneth Low, especially at a time when Kenneth Low was “negotiating” on behalf of ABO the sale of ABO to ATL (see paragraph 44 for details on ABO). This also raises the question of conflict of interest on the part of Low Yew Shen, who benefitted from the AMSH transaction. The Board would have expected Low Yew Shen to act on behalf of ATL in the disposal of AMSH, but had not been informed that he was also acting on behalf of Hsu Ching Yuh or that he would eventually receive a portion of Hsu Ching Yuh’s shares in ATL, for his role in the transaction. Given this, there are concerns that the interests of ATL may not have been appropriately safeguarded during the disposal of AMSH.

21. Similar to the AMSH disposal, we have seen minimal input from the Independent Directors (“ID”) on the ATSU disposal and the manner in which the amounts were settled . The manner in which the sale proceeds for the disposal of ATSU was settled by the purported purchaser also followed a similar trend observed in the disposal of AMSH. We have not seen any justification and deliberation as to why the Board accepted NTA as the basis for valuing ATSU. In addition, the Board had fully relied on Hsu Ching Yuh to carry out the negotiations with Hong Siou-Jhu. Hong Siou-Jhu was referred by Hsu Ching Yuh as a potential purchaser and within a month, the sale transaction was finalised. The Board may have failed to exercise appropriate diligence in matters such as the valuation of ATSU as well as background checks on the identity and financial standing of the buyer prior to signing of the SPA.

22. It is further unclear why proceeds which were due from the sale of ATSU was settled through the Escrow Account with JLC when the specific purpose of the Escrow Account was for the public placement exercise. It appears that the Escrow Account was used to conveniently effect set-offs and other settlements. In essence, the Escrow Account was effectively utilised as an external "suspense" account (see further paragraph 15 above).

23. None of the IDs raised questions on why the monies for these disposals were to be channelled through the Escrow Account despite being aware of the Escrow Account's specific purpose. We are also unable to corroborate Kenneth Low's claim that an entry in the Escrow Account was passed to "offset" the S$23 million due to ATL from Hong Siou-Jhu against the S$30 million ATL owed to Lam Yee Kee, because we did not have access to the financial records and bank statements of JLC (see paragraph 65 below).

24. There was no evidence of discussions/deliberations by the Board or the RC surrounding the basis for the determination of Hsu Ching Yuh's compensation upon termination. The Board or the RC is generally expected to deliberate matters relating to compensation sum of directors and Key Management Personnel. It is particularly important in this case as it involved post-termination compensation of a senior employee.

25. Although the series of events as recounted to us by Hsu Ching Yuh, Low Yew Shen and Kenneth Low suggest that the transactions are a natural consequence of/follow on from one another, we could not establish conclusively if this was the case or if there was indeed a pre-meditated plan for Hsu Ching Yuh to exit ATL, take over AMSH and continue running it.

Jeffrey Ong's version of the disposal of the two China subsidiaries

26. *During the course of the special audit, PwC interviewed Jeffrey Ong (JLC Manging Partner at the material time) in Changi prison. Jeffrey Ong's version of events stands in sharp contrast to the version of events conveyed to us by those involved in ATL, as summarised above. According to Jeffrey Ong, Hsu Ching Yuh wanted to leave the ATL Group but wanted to retain control and ownership of the two China entities, AMSH and ATSU, while Kenneth Low and Lim Tah Hwa wanted to take control of a listed company "at the lowest cost possible or with minimum or no cash outlay". A deal was thus conceived to achieve this.*

27. *ATL had earlier disposed of AMSH to Hsu Ching Yuh's nominee for S$16.7 million. Subsequently, ATL allowed the payment of approximately S$12.3 million to be deferred. As part of the prearranged deal, Kenneth Low and Lim Tah Hwa agreed to pay the deferred amount of $12.3 million for AMSH to ATL.*

28. *Kenneth Low and Lim Tah Hwa were required to pay S$2.5 million to Elitaire Law, the brokers /arrangers of this deal. It was Jeffrey's understanding that the fee was partially settled by Kenneth Low / Lim Tah Hwa through the transfer of the balance of Hsu Ching Yuh's 20.3 million shares in ATL to Elitaire Law's nominee, Low Yew Shen (see paragraph 10 above). Kenneth Low and Lim Tah Hwa also agreed to pay an additional sum of around S$2 million in cash to Hsu Ching Yuh. According to Jeffrey Ong, the additional sum was "structured and paid to Hsu by ATL through the guise of a payment".*

29. *On ATSU, Jeffrey Ong explained that retaining ownership of ATSU was a precondition for Hsu Ching Yuh leaving ATL. The deal therefore comprised Kenneth Low and Lim Tah Hwa ensuring the sale of ATSU to Hsu Ching Yuh's nominee at a price to be determined. Kenneth Low and Lim Tah Hwa remained responsible to pay ATL the disposal price for ATSU on behalf of Hsu Ching Yuh. However, as the ATSU disposal price would be paid by Kenneth Low / Lim Tah Hwa, it was in their interest for the valuation of ATSU to be as low as possible. As part of the deal, Hsu Ching Yuh undertook to ensure that ATL would purchase an asset beneficially owned by Kenneth Low and Lim Tah Hwa for a sum no less than the total sum payable by Kenneth Low / Lim Tah Hwa for the balance due from the AMSH disposal and the disposal price of ATSU. ABO was the asset identified for this purpose. (See paragraph 46 for details on ABO)*

30. PwC observes that Jeffrey Ong's version of events appears to provide plausible explanations for the gaps / questions that were raised earlier in that all these transactions were carried out as part of a prearranged deal rather than standalone transactions (see paragraph 26 above). However, we would caution that there is no independent corroborative evidence to validate one version of events over another.

ATL's diversification plans and acquisition of new entities

A. <u>ABO acquisition</u>

31. ABO was a company that was wholly owned by Lam Yee Kee through his company, PIC. The Board paper that was circulated in April 2018 on the proposed acquisition of ABO indicated that ABO would provide shareholders with diversified returns, offer new business opportunities, provide ATL with additional revenue streams and improve its prospects, thus enhancing shareholders' value. ABO had the potential for growth to develop into a platform for e-commerce related services, which appeared to be in line with the Group's diversification strategy.

32. During the ATL Board meeting in September 2017, Hsu Ching Yuh sought approval from the Board to raise funds via a share placement. While the minutes suggested that the exact purpose of the fund-raising was not yet known, according to Kenneth Low, ABO was the target being pursued at that point in time and the placement was for this very purpose. The ATL Board passed a resolution to proceed with the placement exercise ("the Public Placement"). Elitaire Law was appointed by ATL to undertake the legal work for the placement exercise and limited Legal Due Diligence ("LDD") on ABO.

33. In late September 2017, ATL made an announcement on SGX that it would be entering into a conditional placement to raise cash proceeds for "business expansion" and general working capital purposes. OCBC Securities ("OCBC") was appointed as the placement agent.

34. Kenneth Low explained that the public placement in October 2017 was significantly undersubscribed at that point in time and that Low Yew Shen approached him to recommend additional placees. Kenneth Low introduced a number of placees to take up the placement, and also sought the assistance of Lim Tah Hwa to introduce potential placees.

35. The Public Placement was eventually fully subscribed, raising S$33 million in return of the issuance of 675 million new ordinary shares. The proceeds from the public placement were placed into the JLC Escrow Account, which was specifically opened for this purpose. There were no Board minutes or email exchanges to evidence the discussions surrounding the setting up of the Escrow Account.

36. Kenneth Low recalled that he was requested by Low Yew Shen to recommend valuers for ABO and he suggested Alternative Advisors Pte Ltd ("Alternative Advisors") and Baker Tilly Consultancy (Singapore) Private Limited ("Baker Tilly"). The Board appointed Alternative Advisors for the valuation of ABO, and Nexia TS Advisory Private Limited ("Nexia TS") for the Financial Due Diligence ("FDD"). However, we were unable to identify in the ATL Board minutes any discussions around the selection process of these service providers.

37. In March 2018, Kenneth Low, who did not hold any official position in ATL at that point in time, received the first draft of the valuation report from Alternative Advisors, in which the value of ABO was estimated to be between S$51.3 million to S$71 million. Peter Yau pointed out that the valuation was "aggressive" for a relatively new company which was not listed. Subsequently, Roger Poh (Then ATL Executive Director) sent a revised valuation report on ABO, where the estimated value of ABO was between S$57 million to S$62.3 million. Despite multiple discussions concerning the valuation, Peter Yau did not raise any further queries on the concerns he raised earlier.

38. We note from our discussion with Alternative Advisors, that the financial statements and projections for the purposes of the valuation were provided by Kenneth Low. Discussions on their projections and assumptions were also conducted with Kenneth Low. We did not sight any evidence of interactions between Alternative Advisors and any ATL director on the valuation or discussion over the reasonableness of the assumptions applied. These projections showed significant growth in revenue and profit from potential events over the period from 2018 to 2022. The revenue projections were primarily based on potential events, in particular Cirque du Soleil and Summer Sonic Festival, making up a significant portion of the projected revenue over the period from 2018 to 2022. None of these events were finalised at that time except the 2018 Cirque du Soleil event. In addition to this uncertainty, ABO's business model relied heavily on initial financing which was uncertain at that point in time.

39. In early April 2018, ATL paid out S$30 million to PIC for the acquisition of 51% of ABO using funds from its Escrow Account with JLC.

40. We understand from Kenneth Low that he asked Lam Yee Kee to extend a loan to him in the amount of the sale proceeds of S$30 million, which was used in part to cover Hong Siou-Jhu's outstanding payment to ATL for the disposal of ATSU (see paragraph 15). In June 2018, Kenneth Low acquired 100% of PIC, which owned the remaining 49% of ABO, for S$1.

41. In June 2019, ATL prepared a Board Paper for the impairment of the goodwill for the acquisition of 51% of ABO. In the 2018 Annual Report, EY issued a disclaimer of opinion on the impairment assessment of goodwill performed by ATL management.

Issues noted on the acquisition of ABO

42. We are not able to establish if the Board had exercised sufficient rigour in the selection of the professional advisors and the scrutiny of their findings.

43. There is an issue of conflict of interest on the part of Kenneth Low who had a personal interest in ABO and was representing the seller of ABO, yet was involved in coordinating the acquisition, recommending candidates for the ED position, and liaising with the advisor on behalf of the Board of ATL. Further, we note the possibility that Kenneth Low could be deemed a "shadow" director of ATL given his significant involvement in matters relating to the management of ATL.

44. The Board was fully aware that Kenneth Low did not hold any position of responsibility within ATL and was acting on behalf of the vendor, yet they allowed him to provide guidance to ATL for the acquisition of ABO and to lead the valuation process for ABO (see paragraph 20 for details). We could not ascertain the Board's rationale for doing so or for not ensuring that ATL's interests were adequately represented by a duly appointed representative of ATL (including in the selection and instructing of professional advisers retained by ATL and in negotiations with the vendor).

Jeffrey Ong's version of the acquisition of ABO

45. *Jeffrey Ong explained that the acquisition of ABO was part of the same prearranged deal where Hsu Ching Yuh would leave ATL Group while retaining control and ownership of AMSH and ATSU. Through this deal, Kenneth Low and Lim Tah Hwa would take control of ATL with minimum cash outlay.*

46. *As agreed, Hsu Ching Yuh undertook to ensure that ATL would purchase an asset beneficially owned by Kenneth Low and Lim Tah Hwa for a sum no less than the total sum payable by Kenneth Low / Lim Tah Hwa for the balance due from the AMSH disposal and the disposal price of ATSU. ABO was the asset considered for this purpose (see paragraph 29 for details on disposal of AMSH and ATSU). However, the payment for ABO was meant to be set-off against the balance due to ATL for the disposal of AMSH and ATSU. Based on the instructions from Kenneth Low, ATL was to purchase 100% of ABO for no less than S$25 million. ATL eventually acquired 51% of ABO for S$30 million.*

B. <u>Activpass acquisition</u>

47. Activpass is a company owned by Peter Seow (75%) and his wife, Amy Leow (25%). The principal activity of Activpass as recorded in the business profile registered with the Accounting and Corporate Regulatory Authority of Singapore is the provision of management consultancy services.

48. According to Peter Seow, he was first contacted by ATL in March 2018 to enquire if he was keen to sell the company. An introductory meeting was held between Roger Poh and Nicholas Tei[2] (allegedly representing Kingsblade Kabushiki Kaisha Group ("Kingsblade"). In late March 2018, Nicholas Tei sent an email to ATL, which included a detailed profile of Kingsblade. The profile listed Roger Poh as a Kingsblade management staff with the role of Head of Credit. Karen Pok (ATL Independent Director) was listed as Kingsblade's Legal Counsel. During their interviews with us, both Roger Poh and Karen Pok denied that they were either part of the management team or involved in any professional capacity with Kingsblade.

49. According to Peter Seow, he met Nicholas Tei and Roger Poh for the first time in late March 2018 to discuss the potential transaction. Peter Seow had at the time verbal indications from potential investors that valued Activpass at approximately S$25 million. He was therefore only prepared to negotiate if the transaction with ATL was not lower than that price.

[2] Nicholas Tei, also known as Zheng Jiabin, did not respond to our request for an interview.

50. In June 2018, Baker Tilly Consultancy (Singapore) Pte Ltd ("Baker Tilly") valued Activpass between S$57 million and S$60.7 million based on forecasted financial numbers for five years from 2019 to 2023. The forecasted revenue was expected to increase from S$2.1 million in 2019 to S$41.8 million in 2023 and EBIT from S$0.2 million to S$26.5 million during the same period. Baker Tilly's valuation report highlighted that forecasted regional growth was contingent upon funding, the lack of which may result in the inability to grow the business. This was consistent with what Peter Seow stated in his interview with us that working capital funding to support the growth forecast was critical for Activpass.

51. We sighted various emails between Nicholas Tei, Peter Seow and Roger Poh discussing the terms of the proposal, which was documented in two written agreements – a "back end" shareholder agreement between the owners of Activpass and Kingsblade and a "front end" agreement between the owners of Activpass and ATL.

52. The terms of the "back end" agreement provided that ATL would undertake a placement to raise an amount of between S$22 million to S$52 million, with Kingsblade having full rights to determine the final number of placement shares. However, the "back end" agreement also stipulated that the owners of Activpass would only get a fixed consideration of between S$10 million to S$15 million depending on the final number of Activpass shares that ATL acquires. A separate draft working document provided various project milestones that included a term requiring a working capital loan of no less than S$2 million to be provided to Activpass. In early May 2018, the "back end" agreement was signed between Kingsblade, Peter Seow and Amy Leow.

53. In early June 2018, the final version of the "front end" agreement which was documented in the form of a Memorandum of Understanding ("MOU"), was signed between Roger Poh, representing ATL, and the owners of Activpass. According to the terms in the MOU, ATL would purchase 51% of the shares of Activpass. Based on internal estimates, the company was valued between S$50 million to S$80 million. In the MOU, there was no mention of any working capital requirements. Neither ATL nor Kingsblade made any commitment to finance the planned expansion of the business. There were emails between Roger Poh and Peter Seow in which the latter specifically requested that the SPA to include the working capital commitment. Roger Poh had replied that the matter would be worked upon after the entry into of the SPA and completion of the transaction.

54. In July 2018, the formal SPA was signed between the owners of Activpass and Roger Poh representing ATL pursuant to which ATL would purchase 51% of the issued and paid up capital of Activpass for S$25.2 million. The SPA included specific terms stating that the vendor would undertake to ensure that Activpass had sufficient working capital.

55. To finance the acquisition of Activpass, a private placement exercise was undertaken. From our interview with Roger Poh and Peter Seow, we were made aware that the four placees involved in this exercise were sourced by Kingsblade.

56. Based on our review of the funds flow on the Activpass deal, we observed that there was no physical movement of funds between the private placees who subscribed for the shares and ATL, nor was there any physical movement of funds between ATL and the owners of Activpass for the acquisition of the 51% stake. Our review revealed that in fact, all funds were physically held by UOB Kay Hian Credit Private Limited ("UOB Kay Hian Credit"). UOB Kay Hian Credit appeared to finance the private placement through a series of internal transfers that were repaid almost immediately.

57. UOB Kay Hian Credit provided financing of S$25.2 million to the 4 private placees and transferred the funds from the four placees' accounts to ATL's UOB Kay Hian Credit account to pay for the placement shares. Subsequently, ATL instructed UOB Kay Hian Credit to transfer the placement monies to Kingsblade's account on the premise that the owners of Activpass allegedly had an outstanding loan of an identical amount owing to Kingsblade. Kingsblade paid S$25.2 million to UOB Kay Hian Credit as settlement on behalf of the 4 placees on the basis that a novation agreement was entered between UOB Kay Hian Credit and Kingsblade for Kingsblade to take over the loan from the placees.

58. To give effect to the financing structure and flow of funds, we observed that a loan facility agreement ("Facility Agreement") was signed between the 4 placees as borrowers and UOB Kay Hian Credit as lender for a sum of S$25.2 million. According to Peter Seow, in late June 2018, a backdated loan agreement was signed between Kingsblade and the owners of Activpass, which recorded a loan of S$25.2 million to be extended to Peter Seow and Amy Leow (the "Loan Agreement"). A Deed of Assignment was also signed between Kingsblade and UOB Kay Hian Credit to secure the repayment of the loan facility extended by UOB Kay Hian Credit through the assignment of the above backdated Loan Agreement. The Facility Agreement and Deed of Assignment were prepared by Morgan Lewis Stamford LLC, acting as lawyers to UOB Kay Hian Credit.

59. We were informed by UOB Kay Hian Credit that even though the transactions appeared unusual, they assessed it from a commercial perspective. As they had full control over the funds in the respective accounts, and the transaction would be completed almost simultaneously, there was no credit risk to them. We noted that a fee of S$999,000 was paid to UOB Kay Hian Credit.

60. Ultimately, ATL acquired a 51% stake in Activpass for S$25.2 million and the vendors, Peter Seow and Amy Leow, received approximately $12.8 million. The above financial structuring scheme resulted in 420 million shares being issued to the 4 placees with no payment by any of the placees for the shares. By the end of December 2018, 280 million shares appear to have been sold.

Issues noted on the acquisition of Activpass

61. From ATL's perspective, it would appear that the only executive who had knowledge of this scheme was Roger Poh. However, he did not disclose to the other Board members that the vendors in fact only received S$12.8 million and he continued to facilitate the sale at double the value of what the vendors received. This raises significant concerns as to whether he acted in the best interests of ATL. Furthermore, he did not disclose the working capital requirements of Activpass, which was in fact the fundamental premise for the valuation. Roger Poh's failure to disclose these matters and his actions in facilitating the scheme amounts to a serious breach of his fiduciary duties to ATL.

62. In relation to the other Board members, we have seen no discussions or deliberations on the selection of the professional advisors proposed by Roger Poh.

Jeffrey Ong's version of the acquisition of Activpass

63. *Jeffrey Ong explained that there was no flow of funds for Activpass and the placement exercise carried out to fund the acquisition of Activpass was a sham. According to him, Nicholas Tei from Kingsblade structured the deal.*

Creation and operation of ATL's escrow account

64. In October 2017, the first and second tranches amounting to S$16.7 million and $16.6 million were received from the public placement in the Escrow Account. However, the account remained active even after the ABO acquisition was completed (which was the intended purpose of the public placement proceeds) and was used in a manner which amounted to an external "suspense" account. We noted that in addition to holding the public placement proceeds, other sources of ATL funds were co-mingled in the Escrow Account. Specifically, proceeds from the disposal of AMSH and ATSU amounting to S$35.2 million were purportedly held in the Escrow Account.

65. During the course of our special audit, we did not have access to the financial records and bank statements of JLC. Consequently, in our investigation of the flow of funds in the Escrow Account, we relied only on the Escrow statements provided by JLC to ATL, ATL's records and our review of the emails (see paragraph 23 above).

66. In March 2019, ATL issued an Escrow notice to JLC to transfer the remaining balance of S$33.1 million from the Escrow Account to ATL's designated bank account. After multiple reminders and email exchanges with Jeffrey Ong, JLC issued a cheque for the same amount that could not be banked in due to alterations made and smudges on the face of the cheque. ATL requested a Cashier's Order as a replacement. However, the request was not honoured despite multiple reminders.

67. The status of the missing funds continues to remain unknown.

Issues noted on the ATL Escrow Account

68. The Board seemed to have failed to act with sufficient diligence and due care to protect the interest of ATL. There were no discussions or Board minutes where concerns were ever raised by the IDs on the co-mingling of the funds or why there was a need for an Escrow Account after the acquisition of ABO.

Jeffrey Ong's version of opening and utilisation of ATL's escrow account

69. *Jeffrey Ong explained that the escrow agreement was put in place by the Kenneth Low / Lim Tah Hwa and Hsu Ching Yuh so as to allow the Kenneth Low / Lim Tah Hwa to utilise the funds raised from the 1st tranche placement to fund the 2nd tranche placement.*

70. *Jeffrey Ong said that he had doubts as to whether the ATL Board would approve the escrow agreement as there did not seem to be any legitimate basis for ATL to do so. According to him, if the board did approve the escrow agreement, it would mean that the board was aware of and supported the proposed pre-arranged transaction which he described.*

Disclaimer

71. While additional time has been taken to confirm the factual information through the maxwellisation process, PwC's findings are based on the documents and information made available to PwC up to and including 14 October 2020. Documents or information after 14 October 2020 may have an impact on the findings. PwC reserves its right to correct any part of its findings if any such document or information after 14 October 2020 is provided to PwC.

72. We caution that our work and findings are based on the documents and information provided to us by ATL and persons we interviewed. Such interviews were not conducted under oath and no statutory declarations were provided. We have assumed and relied on the truth and accuracy of all information and material which was provided or made available to us during our engagement without further verification except as may be specified in our work scope.

73. As directed in the NOCs, PwC reports solely to SGX RegCo on our scope of work and all findings pursuant to this engagement. PwC's work was not carried out in contemplation of any reliance by any other party. Therefore, items of possible interest to any other party will not be specifically addressed and matters may exist that would be assessed differently by any other party. Neither this Executive Summary nor its contents may be distributed to, discussed with, or otherwise disclosed to any other party without the prior written consent of PwC, unless otherwise stated in our Letter of Engagement dated 14 June 2019. PwC does not accept or assume responsibility for its work and findings to any other party except as specified in our Letter of Engagement dated 14 June 2019.