

Our Ref: REG/LC/GT/JH/NOC-ATL

8 May 2019

The Board of Directors

Allied Technologies Limited

390 Orchard Road #15-04

Palais Renaissance

Singapore 238871

PRIVATE & CONFIDENTIAL

Dear Sirs,

ALLIED TECHNOLOGIES LIMITED ("ALLIED" OR THE "COMPANY", TOGETHER WITH ITS SUBSIDIARIES, THE "GROUP")

NOTICE OF COMPLIANCE (THE "NOTICE")

1. Singapore Exchange Regulation ("**SGX Regco**" or the "**Exchange**") refers to the Company's SGXNet announcement dated 8 May 2019 (Announcement Reference No: SG190508OTHRVMGL) entitled:
 - A. Grant of extension of time to (I) Hold its Annual General Meeting for the Financial year ended 31 December 2018; (II) Announce its financial results for the first quarter ended 31 March 2019; and (III) Issue its Sustainability Report for the financial year ended 31 December 2018
 - B. Observations raised by Auditors
 - C. Appointment of Special Auditor"(the "**Announcement**").
2. SGX Regco notes that the auditors of the Company, Ernst & Young LLP ("**Auditors**") has highlighted a number of key concerns and observations to the Board ("**Observations**"), mainly in relation to Asia Box Office Pte Ltd ("**ABO**"), a newly acquired 51%-subsidiary of the Company.

Background

3. The Company was listed on 23 June 2003 and has traditionally been in the business of precision metal stamping manufacturing. On 26 March 2018, the Company obtained shareholders' approval to diversify into the e-commerce industry ("**E-Commerce Business**").

4. On 3 April 2018, the Company announced that it has entered into a sale and purchase agreement ("**SPA**") with Platform Capital Asia (Singapore) Pte Ltd ("**PCA**"), a company in which Low Si Ren Kenneth ("**Kenneth Low**"), Executive Director of the Company is a director of, to purchase 51% of the entire issued and paid-up capital of ABO, for the consideration sum of S\$30 million ("**Consideration**"). ABO is in the business of operating an e-commerce ticketing solutions platform for venues and event organizers, with a focus on sports, entertainment and lifestyle events in Southeast Asia and Greater China.
5. In relation to the Company's E-Commerce Business, the Company had also on 18 May 2018 and 3 July 2018 acquired stakes in 8travelpay Intelligence & Technology (Shanghai) Co., Ltd ("**8TPS**") and Activpass Holdings Pte Ltd ("**Activpass**") respectively.

FY2018 Financial Audit

6. The Auditors are in the process of completing the audit of the Group for financial year ended 31 December 2018 ("**FY2018**").
7. During the course of the FY2018 audit, the Auditors highlighted a number of key concerns and also raised certain Observations to the Board, mainly in relation to ABO.
8. The Observations detailed in the Announcement include the following:
 - (a) Transactions between ABO and an Event Financier pursuant to a financing agreement dated 8 June 2018, entered into for the financing of a concert event, wherein a deposit for the artist fee of the concert amounting to S\$1.7 million was not returned to ABO despite cancellation of the concert ;
 - (b) Transactions between ABO and an Event Financier pursuant to a Revolving Loan Agreement for a sum of up to S\$3.0 million, entered into between ABO and the Event Financier dated 1 October 2018, where the Company is unable to demonstrate relevance of these loans for the business of ABO;
 - (c) Erroneous classification of investments made by ABO pursuant to an investment agreement signed between ABO and the principal of an international sporting event for the financing of the event amounting to US\$1.6 million with a 10% return;
 - (d) Funds of ABO of S\$1.09 million and funds of Allied of S\$33.4 million held in trust and/or escrow by a Singapore law firm, JLC Advisors LLP ("**JLC**");
 - (e) Acquisitions of ABO and Activpass and impairment assessments of the same;
 - (f) Various advances / payments between ABO and PCA; and
 - (g) Internal controls and corporate governance at ABO.
9. We note from the Announcement that the Company is in the process of appointing a special auditor ("**Special Auditor**") to undertake a review on, amongst others, the Observations identified by the Auditors ("**Special Audit**").

10. In light of these developments, the Exchange requires the Company to appoint a suitable independent Special Auditor, subject to clearance by SGX Regco. The terms of reference and scope of the Special Audit must also be cleared by the Exchange. The Special Auditors will report concurrently to SGX RegCo, the Sponsor and the Independent Directors (save for Pok Mee Yau, for reasons elaborated in ensuing paragraphs of this Notice) of the Company.

Cash and bank balances of the Group held with JLC

11. In the Announcement, it was disclosed that as at 31 December 2018, funds of ABO of S\$1.09 million ("**ABO Funds**") and funds of the Company of S\$33.4 million ("**Allied Funds**") were held in trust and/or in escrow with JLC. Pok Mee Yau, an Independent Director of the Company is a salaried partner of JLC.
12. The auditors' Observations raised concern on the flow of funds extended by the Company for the financing of the ABO business, and whether the Company had proper safeguards surrounding the funds placed in escrow with JLC. EY also questioned the business rationale for maintaining the funds with JLC for a prolonged period of time when there is no clear purpose for the use of such funds. Further, the funds are placed in the general client account of JLC, together with funds from its other clients, and statements of accounts were not provided on a periodic basis.
13. To-date, the Allied Funds have not been returned to the Company.

Exchange's Directives

14. With the objective of safeguarding the cash and bank balances of the Company, pursuant to Catalist Rule 305(1)(k), the Exchange requires the Company to expeditiously procure the release of the Allied Funds held with JLC and to place them in an account opened with and operated by an escrow agent which is part of any financial institution licensed and approved by the Monetary Authority of Singapore. The Independent Directors (except Pok Mee Yau) shall be the authorized signatories to operate the escrow account. Additionally, the ABO Funds, and any cash and bank balances in excess of the Group's operational requirements must also be placed in the abovementioned escrow account (collectively, the "**Escrowed Funds**").
15. The Company is required to (a) provide monthly valuation of the Group's cash balances, which includes both the Escrowed Funds and any cash balances held by the Group, and (b) the utilization of cash of the Group, to shareholders and the Exchange via SGXNet announcements.
16. In the event that the Company needs to draw down from the Escrowed Funds, the Independent Directors (except Pok Mee Yau) will need to justify the need for such drawdown and seek approval from SGX Regco for the disbursement.
17. In view of the Special Audit to be commissioned, prior to the satisfactory resolution of the Observations raised by the Auditors, the Company's Board composition shall remain unchanged.

18. Please note that this Notice is an official notification to the Company with immediate effect.
19. Pursuant to Catalist Rule 305(4), failure to comply with the requirements imposed by the Exchange shall be deemed to be a contravention of the Rules.
20. Please note that compliance with this Notice does not constitute a waiver of any kind, and SGX Regco reserves the right to take disciplinary action against the Company and / or Relevant Persons for breaches of the Listing Rules, including any failure to comply with the requirements imposed by the Exchange.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "June Sim", followed by a checkmark.

June Sim
Senior Vice President
Head, Listing Compliance
Singapore Exchange Regulation

cc: Mr. Bernard Lui, Stamford Corporate Services Pte Ltd