

## ALLIED TECHNOLOGIES LIMITED

(Incorporated in the Republic of Singapore)

(Registration Number 199004310E)

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### DISCLAIMER OPINION BY THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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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 9 April 2020, 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 2019 (the “**FY2019 Independent Auditor’s Report**”).

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

- (i) the funds of the Company amounting to \$33,153,417 (2018: \$33,449,229) as at 31 December 2019, that were held in non-interest bearing trust or escrow account with a Singapore law firm, JLC Advisors LLP (“**JLC**”) (the “**JLC Escrow Funds**”), and funds of the Company’s subsidiary, Asia Box Office Pte. Ltd. (“**ABO**”) amounting to \$nil (2018: \$1,093,248) as at 31 December 2019 (the “**ABO Funds**”) (collectively, the “**JLC Funds Issue**”);
- (ii) the issues stated in the Notices of Compliance (the “**NOCs**”) issued by Singapore Exchange Regulation Pte Ltd on 8 and 23 May 2019 (the “**NOC Issues**”); and
- (iii) the going concern assumption used by the Company in the preparation of the financial statements.

Full details can be found in the FY2019 Independent Auditor’s Report that is annexed to this announcement as “Appendix I”.

#### **The JLC Funds Issue**

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.

To date, as JLC has yet to return any part of the JLC Escrow Funds to the Company, and the auditors were not able to obtain all necessary information and evidence to determine the completeness, existence and recoverability of the Company’s funds receivable from JLC as at 31 December 2019.

Further, on 24 February 2020, the Company noted from the media reports that the managing partner for JLC has since been charged with 12 different charges, 11 of which involving alleged criminal breach of trust as an attorney in relation to the escrow funds. However, the whereabouts of the escrow funds remain unclear to the Company as at the date of this announcement.

As for the ABO Funds, the Company wish to highlight that during the financial year ended 31 December 2019, ABO has received its funds amounting to \$1,093,248 from JLC. However, the Independent Auditor notes that it is unable to ascertain the legality and legitimacy of the arrangement with JLC for the ABO Funds to be held in trust by JLC.

#### **The NOCs Issues**

As regards the issues highlighted in the NOCs, the Group has taken, and will continue to 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. More information on the specific details highlighted by the Independent Auditors can be found in the FY2019 Independent Auditor’s Report.

### **The Going Concern Assumptions**

Due to insufficient information and uncertainties surrounding the outcome of matters highlighted in (a) to (d) in Appendix I, the Independent Auditor is unable to conclude on the appropriateness of the going concern assumption used in the preparation of the financial statements.

Nonetheless, the Board believes that the use of the going concern in the preparation of the financial statements for the financial year ended 31 December 2019 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) The Group will continue to 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 \$64,514,697 (NTA of \$31,361,280 without taking into consideration the amount due from a law firm) as at 31 December 2019, 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 months;
- (f) The Group will 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; and
- (g) The COVID-19 global outbreak does not materially impact the demand from customers, our suppliers nor the ability to carry on production in our factories.

The financial statements of the Group and of the Company for FY2019 and the FY2019 Independent Auditor’s Report will also be found in the Company’s annual report for FY2019, 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  
13 April 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.*

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

**Independent auditor's report  
For the financial year ended 31 December 2019**

**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 2019, 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 2019, the Company has funds amounting to \$33,153,417 receivable from a Singapore law firm, JLC Advisors LLP ("JLC"), held in non-interest bearing trust or escrow account. Despite repeated demands for repayment from the Company, JLC has failed to release the escrow funds to the Company and has been notified by JLC that the funds deposited by the Company with JLC have been purportedly paid out from the escrow account, and that JLC is still investigating. The Company has filed a police report over unauthorised payout of S\$33 million from its escrow account.

We were unable to obtain all necessary information and evidence to determine the completeness, existence and recoverability of the Company's funds receivable from JLC as at 31 December 2019, including the related transactions, flow of funds and whether they are appropriately presented and disclosed in the financial statements.

During the financial year ended 31 December 2019, Asia Box Office Pte. Ltd. ("ABO"), a subsidiary of the Company, recovered its funds amounting to \$1,093,248 from JLC. Although ABO has recovered its funds from JLC, we were unable to ascertain the legality and legitimacy of the arrangement of ABO funds held in trust by JLC due to absence of a formal agreement, and the related financial statement implications.

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

As disclosed in Note 14(d) to the financial statements, the Group acquired 51% interest in ABO and its subsidiary and 51% interest in Activpass Holdings Pte. Ltd. ("Activpass") in 2018. Goodwill of \$55,221,558 was recognised on the acquisitions and management recorded impairment loss of \$31,274,000 against the goodwill as at 31 December 2018. During the financial year ended 31 December 2019, further impairment loss of \$23,947,558 was recognized to fully impair the remaining goodwill.

**Independent auditor's report  
For the financial year ended 31 December 2019**

**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)

Similarly, an impairment charge of \$30,542,000 was recorded by the Company against the cost of investment of the related subsidiaries as at 31 December 2018, and an additional impairment charge of \$24,658,000 was recorded during the year ended 31 December 2019. The Company also recognised a full impairment loss during the year ended 31 December 2019 on the loans to the subsidiaries as disclosed in Note 14.

We were unable to assess the appropriateness of the fair value of assets and liabilities recorded by the Group as at the acquisition date, recognition of the resulting goodwill and the impairment charges in the current and previous financial year due to lack of information available to us. Accordingly, we were unable to determine the appropriateness of the impairment losses recognised by the Company and Group during the year ended 31 December 2019 and whether any adjustment is necessary.

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 to assess the potential impact of any unfavorable outcome on the accounting for the investment in Activpass or any consequential effect arising from the outcome of EGM.

- (c) ABO and its subsidiary

As disclosed in Note 2.1(a), the management of ABO initiated a reconstruction exercise of ABO and its subsidiary's current and previous year financial statements. As at the date of this report, the reconstruction exercise has not been completed and management financial statements of ABO have been used for the purpose of preparing the consolidated financial statements of the Group for the year ended 31 December 2019. As a result, we are unable to determine the appropriateness of form and content of ABO's financial statement included in the consolidated financial statements of the Group for the year ended 31 December 2019.

Additionally, the following movements as disclosed in Notes 16 and 25 were observed in respect of matters noted in the previous year:

- (i) A full impairment allowance of \$1,500,000 was recorded during the current financial year against the remaining uncollected amount of an original \$1,700,000 deposit placed with an event financier purportedly for a potential concert during the financial year ended 31 December 2018;
- (ii) The full amount of interest-free loan of \$350,000 loaned in 2018 to the same event financier mentioned in (c)(i) above was returned to ABO during the current financial year;
- (iii) A full impairment allowance of \$2,181,119 was recorded during the current financial year against a deposit remitted by ABO in January 2018, which we understood was for an international sporting event, to a company purportedly related to the principal of the sporting event; and
- (iv) ABO made repayments to reduce the net amount payable to an entity owned by an Executive Director from \$940,578 as at 31 December 2018 to \$249,113 as at 31 December 2019.

**Independent auditor's report  
For the financial year ended 31 December 2019**

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

*Basis for disclaimer of opinion (cont'd)*

(c) ABO and its subsidiary (cont'd)

As we were unable to ascertain the nature and completeness of these transactions in the previous year, we were unable to determine if these amounts were properly presented and disclosed in the financial statements. Consequently, we were unable to determine the appropriateness of the impairment losses being recognised during the current financial year. Additionally, we were unable to assess whether these transactions breached any applicable laws and regulations and could cause other consequential impact to the financial statements.

The outcome of the reconstruction exercise could result in other amounts reported in the Group's financial statements to be materially different from those currently presented.

(d) On-going special audit and investigation

As disclosed in Note 45 to the financial statements, 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 disclosure or other consequential effect in respect of current and prior years' financial statements.

(e) Going concern assumption

The Group and the Company incurred a net loss of \$30,577,755 and \$31,479,670 for the financial year ended 31 December 2019. The directors have prepared these financial statements on a going concern basis based on the assumptions disclosed in Note 2.1(b) to the financial statements.

However, due to insufficient information available to us and the uncertainties surrounding the outcome of matters highlighted in (a) to (d) 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 2019**

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

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**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 Philip Ng.