

- 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**
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1. INTRODUCTION

The Board of Directors (the “**Board**”) of Allied Technologies Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 15 April 2019 (the “**Previous Announcement**”) in relation to the Extension Application made by the Company through its Sponsor to the SGX-ST on 15 April 2019.

Unless otherwise defined, all capitalised terms shall bear the same meanings as ascribed to them in the Previous Announcement.

2. GRANT OF WAIVERS

The Board wishes to announce that the SGX-ST has on 26 April 2019 informed the Company that it has no objection to the Company’s Extension Application for:

- (a) a period of 2 months (i.e. until 1 July 2019) for the Company to hold its AGM for FY2018 to comply with Rule 707(1) of the Catalist Rules; and
 - (b) a period of 1.5 months (i.e. until 1 July 2019) for the Company to announce its financial results for 1QFY2019 to comply with Rule 705(2) of the Catalist Rules,
- (the “**Waivers**”).

The Waivers are subject to the following:

- (i) the Company announcing the Waivers granted, the reasons for seeking the Waivers, the conditions as required under Rule 106 of the Catalist Rules and if the Waivers’ conditions have been satisfied. If the Waivers’ conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met;
- (ii) in respect of the extension of time for the announcement of the Company’s financial results for 1QFY2019, submission of a written confirmation from the Company that it is not aware of any information that will have a material bearing on investors’ decision which has yet to be announced by the Company; and
- (iii) the Company convening its AGM for FY2018 by 1 July 2019.

As the sustainability report is intended by the Company to be issued as part of its annual report for FY2018, further to the Extension Application made earlier, the Company had, on 25 April 2019, also made an application to the SGX-ST through its Sponsor for an extension of time to issue its sustainability report together with its annual report on or around 14 June 2019 (the “**SR Extension Application**”).

The SGX-ST has on 6 May 2019 informed the Company that it has no objection to the SR Extension Application (the “**SR Waiver**”).

The SR Waiver is subject to the following:

- (i) the Company announcing the SR Waiver granted, the reasons for seeking the SR Waiver, the conditions as required under Rule 106 of the Catalist Rules and if the SR Waiver’s conditions have been satisfied. If the SR Waiver’s conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met;
- (ii) Submission of a written confirmation from the Company that it is not aware of any information that will have a material bearing on investors’ decision which has yet to be announced by the Company.

3. REASONS FOR EXTENSION APPLICATION

3.1 Additional Time Required for Completion of Audit

Ernst & Young LLP (the “**Auditors**”), the auditors of the Company, are in the process of completing the audit for the Group for FY2018. The Group has indicated that they will require additional time to complete the audit of the Group for FY2018 as we are still working on the Auditors’ queries and are making arrangements to provide the necessary documents by the Group. The Auditors also anticipate that they may need to seek further clarification from the Company following their review of management’s responses and the documents. The Company is using all best efforts to work with the Auditors to complete the audit of the Group and are following up with all outstanding information and documents in a timely manner.

Given that some of the management members of the Company were only recently appointed, additional time is also required to complete the audit for the Group for FY2018.

In addition, the Group is expected to report a net loss in respect of its financial results for FY2018. The expected net loss is mainly attributable to impairment losses on certain assets of the Group, being those acquired pursuant to the ABO Acquisition (as defined below) and the Activpass Acquisition (as defined below), which are expected to be greater than the profits generated from operations. Additional time to complete the audit for the Group for FY2018 is required in light of the expected impairment losses. Please refer to the Company’s announcement dated 15 April 2019 for further details on the profit warning.

The Board also wishes to announce that during the process of their audit of the Group for FY2018, the Auditors have highlighted a number of key concerns and made several observations to the Board (the “**Observations**”) mainly in relation to Asia Box Office Pte. Ltd. (“**ABO**”), a material subsidiary of the Company acquired in FY2018. On 4 April 2018, the Company acquired 51% of the entire issued and paid-up share capital of ABO and its subsidiary, Asia Box Office (HK) Limited (collectively, “**ABO Group**”) for S\$30.0 million (the “**ABO Acquisition**”).

Based on the unaudited financial statements for FY2018, the net liabilities of ABO Group as at 31 December 2018 was \$150,000, representing less than 1% of the Group’s net assets based on the Company’s 51% shareholding in ABO, and the net profit of ABO Group from the date of acquisition until 31 December amounted to \$613,000, representing 16% of the Group’s profit attributable to the owners of the Company based on the Company’s 51% shareholding in ABO.

The key Observations include, but are not limited to, the following:

- (a) Transactions between ABO and an event financier (the “**Event Financier**”) pursuant to a financing agreement dated 8 June 2018 for the financing of a concert event (the “**Financing Agreement**”). As the concert was cancelled in FY2018, the deposit should be returned to ABO within 7 business days as stipulated under the Financing Agreement. The key Observations arising from the Financing Agreement include:

- (i) the basis for transferring funds relating to the deposit for the artist fee of the concert amounting to S\$1.70 million from ABO to external related party, Platform Capital Asia (Singapore) Pte. Ltd. ("**PCA**"). On the same day, an amount of \$1.68 million was transferred from PCA to the organiser of the concert ("**Event Organiser**"). The director of PCA, Low Si Ren Kenneth ("**KL**") was appointed as an Executive Director of the Company, on 27 June 2018, after the Financing Agreement has been entered into;
 - (ii) supporting documents evidencing the timings of transfers;
 - (iii) S\$1.70 million deposit for the artist fee of the concert has not been refunded by the Event Financier to ABO as at 31 December 2018;
 - (iv) business rationale for PCA's involvement;
 - (v) it is noted that the Event Organiser paid to Event Financier a sum of S\$102,000 being interest on the sum of S\$1.68 million transferred by PCA to the Event Organizer. However, the sum of S\$102,000 was remitted from the Event Organizer to PCA;
 - (vi) ABO did not charge interest to the Event Financier under the Financing Agreement; and
 - (vii) compliance with the applicable laws and disclosure requirements in view that Event Financier is also a shareholder of the Company.
- (b) Transactions between ABO and the Event Financier pursuant to a revolving loan agreement between ABO and the Event Financier dated 1 October 2018 (the "**Revolving Loan Agreement**") for a sum of up to S\$3 million of which S\$0.35 million was drawn down as at 31 December 2018. The Event Financier in turn loaned the S\$0.35 million to various external parties. The S\$0.35 million has been fully repaid and the Revolving Loan Agreement has been mutually terminated by ABO and the Event Financier as at 15 March 2019. To clarify, there are no outstanding amounts due under this revolving loan facility. The key Observations arising from the Revolving Loan Agreement include:
 - (i) the business rationale for granting the interest free revolving loan facility given the principal activities of ABO and the Company;
 - (ii) corporate governance issues, disclosure requirements and legal implications arising from the grant of the above interest-free financing and revolving credit facility to the Event Financier; and
 - (iii) information to demonstrate the relevance of these loans for the business of ABO.
- (c) Transactions made by ABO pursuant to an investment agreement signed between ABO and the principal of an international sporting event (the "**Principal**") for the financing of the international sporting event amounting to US\$1.60 million, with a 10% return (the "**Sporting Event Agreement**"). The Sporting Event Agreement was entered into prior to the ABO Acquisition. Although the transaction is meant to be a form of investment, ABO is unable to hold the direct interest to the international sporting event as the direct interest belongs to the Principal. As such, the Auditors have advised that the transaction may not be accounted for as an investment. Arising thereon, ABO decided to withdraw from this transaction in Q3FY2018. The Company had erroneously classified this transaction as an asset held for sale on the balance sheet in the Q3FY2018 results announcement. The classification had been rectified in the Q4FY2018 results announcement. The key Observations arising from the financing of the international sporting event include:

- (i) the remittance of the investment funds to a company related to the Principal prior to the establishment of the relationship between the recipient of the funds and the Principal; and
 - (ii) that no specific due diligence was performed prior to the ABO Acquisition to determine the recoverability of such funds.
- (d) As at 31 December 2018, out of the total cash and bank balances of the Group of S\$43.6 million, funds of ABO of S\$1.09 million and funds of the Company of S\$33.4 million were held in trust and/or in escrow by a Singapore law firm, JLC Advisors LLP. Pok Mee Yau, an independent director of the Company is a salaried partner of the Singapore law firm. There is a formal escrow agreement between the Company and the Singapore law firm, however, there is no such formal agreement nor operating mandate between ABO and the Singapore law firm. The arrangement between ABO and the Singapore law firm was entered into prior to the ABO Acquisition. As at 2 April 2019, the funds of ABO of S\$1.09 million had been fully returned. Key Observations highlighted by the Auditors include:
 - (i) the business rationale for maintaining the funds with the Singapore law firm for a prolonged period of time when there is no clear purpose for the use of such funds, and which do not generate interest of the Group/Company/ABO;
 - (ii) no formal written escrow agreement nor operating mandate between ABO and the Singapore law firm; the trust account is operated by the Singapore law firm based on verbal instruction from KL to the Singapore law firm;
 - (iii) the credit risk of the funds placed in the Singapore law firm as funds are placed in the general client account of the Singapore law firm together with funds from its other clients;
 - (iv) the recovery of funds of the Company remain outstanding to date; and
 - (v) completeness of the statement of account (the “**SOA**”) for transactions relating to ABO handled through the Singapore law firm as notifications of transactions and SOAs are not provided on a periodic basis to ABO.
- (e) The acquisitions of ABO and Activpass Holdings Pte. Ltd. (“**Activpass**”) and impairment assessments of the same. Based on unaudited financial statement for FY 2018, goodwill arising from acquisitions of ABO and Activpass represents approximately 44% of the Group’s net assets and investments in ABO and Activpass represent approximately 45% of the Company’s net assets as at 31 December 2018. Key Observations highlighted by the Auditors include:
 - (i) factual error in the valuation report of ABO, which referred to certain contracts having been entered into by ABO in respect of events that are to take place in the future, but were in fact not signed; and
 - (ii) assumptions such as contracts and memorandum of understanding entered into and applied to the impairment assessments of goodwill and cost of investments.
- (f) Various advances/repayments between ABO and PCA. Key observations highlighted by the Auditors include:
 - (i) the understanding the high volume of transactions recorded between ABO and PCA. The auditors have not sighted sufficient supporting documents to understand the nature of these transactions; and
 - (ii) the compliance by ABO of Section 162 of the Companies Act.

- (g) Internal controls and corporate governance at ABO.

The Company has been providing responses and clarifications to the Observations. The Company has written to the Singapore law firm to arrange for a release of its funds. In addition, the Company is in the process of appointing a special auditor to undertake a special review with reference to, and conduct further analysis on, the areas of concerns identified by the Auditors. The appointment of the special auditor will be made in consultation with the Singapore Exchange Regulation Pte Ltd. In view of the abovementioned Observations and to allow the Company additional time to resolve the same, the Board has recommended that the trading of the shares of the Company be suspended on a voluntary basis with immediate effect until the satisfactory resolution of the Observations and the special audit.

3.2 Completion of Proposed Ratification

Separately, the Company had completed the (i) ABO Acquisition for S\$30.0 million on 4 April 2018 and (ii) acquisition of 51% of the entire issued and fully paid-up ordinary shares in the capital of Activpass for S\$25.2 million on 3 July 2018 (the “**Activpass Acquisition**”)¹.

Rule 1005 of the Catalist Rules provides that in determining whether a transaction falls into category (a), (b), (c) or (d) of Rule 1004, the sponsor may aggregate separate transactions completed within the last 12 months and treat them as if they were one transaction. The SGX-ST retains the discretion to determine whether the aggregation was correctly applied, and/or to direct the sponsor to aggregate other transactions. Based on the SGX-ST’s recommended practice, this rule may apply even if the acquisitions were made from different vendors. Accordingly, the SGX-ST had directed the Sponsor and the Company to aggregate the ABO Acquisition and the Activpass Acquisition as a single transaction.

The ABO Acquisition and the Activpass Acquisition, when aggregated pursuant to Rule 1005 of the Catalist Rules, constitute a major transaction under Chapter 10 of the Catalist Rules. Accordingly, the Company will be seeking shareholders’ approval for the ratification of the Activpass Acquisition (the “**Proposed Ratification**”), at an EGM to be convened by the Company.

3.3 Reasons for Extension Application and the SR Extension Application

By way of summary, the Company made the Extension Application for the following reasons:

- (a) to allow the Auditors and the Group additional time to complete the audit of the Group for FY2018 and other information to be included in the Company’s annual report for FY2018; and
- (b) to allow for the audited consolidated financial statements for FY2018 to incorporate and take into account the latest events (i.e. the Proposed Ratification) so as to make the financial statements more complete. The Company considers that the EGM to approve the Proposed Ratification should be held prior to the AGM at which the audited consolidated financial statements for FY2018 will be laid.

The Company also applied for a similar extension for the release of its 1QFY2019 financial statements, pending completion of the audit of the Group for FY2018 by the Auditors, to allow the Company to release the 1QFY2019 financial statements prepared on the basis of the audited consolidated financial statements for FY2018 (i.e. the closing balance of the audited consolidated financial statements for FY2018 will serve as the opening balance of the financial statements for 1QFY2019). In addition, the SR Extension Application was made to allow the Company to issue its sustainability report together with its annual report for FY2018.

¹ Further details of the ABO Acquisition are contained in the Company’s announcements dated 25 January 2018, 22 March 2019 and 4 April 2018 and further details of the Activpass Acquisition are contained in the Company’s announcements dated 5 June 2018, 2 July 2018 and 3 July 2018.

4. GENERAL

The Company confirms that as of the date of this announcement, both the Extension Application and the SR Extension Application do not contravene any laws and regulations governing the Company and the Constitution of the Company.

The Company will be submitting an application to ACRA for an extension of time to hold its AGM (the “**ACRA Application**”).

The Company will provide further updates to shareholders on the outcome of the ACRA Application and the EGM in due course.

BY ORDER OF THE BOARD

Low Si Ren, Kenneth
Executive Director
8 May 2019

*This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, Stamford Corporate Services Pte Ltd (the “**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume 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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