

RESPONSE TO THE QUERIES FROM THE SINGAPORE STOCK EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) ON THE COMPANY’S ANNOUNCEMENT DATED 18 MAY 2018

The Board of Directors of Allied Technologies Limited (the “**Company**”) wishes to announce that it has received queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in relation the Company’s announcement dated 18 May 2018 titled “*Proposed Investment in 8TravelPay Intelligence & Technology (Shanghai) Co., Ltd*” (the “**Announcement**”).

Unless otherwise defined herein, all capitalised terms herein shall have the same meaning as ascribed to them in the Announcement.

The queries by the SGX-ST and the Board of Directors’ responses are as follows:

Question 1: What is the period of 8TPS’s two-year exclusive contract with Hotel Reservation Service (Shanghai) Co Ltd?

Response: The contract period is from 16 October 2017 to 15 October 2019.

Question 2: With reference to Paragraph 4.2 of the Announcement which states that the book value and net tangible asset value of 8TPS is approximately S\$18,000 as at 28 February 2018 and that the valuation of 100% investment value in 8TPS is not less than US\$25,000,000 (arising from the Valuation Report), could you please share with us the assumptions that brought about such a valuation of 8TPS?

Response: Baker Tilly Consultancy (Singapore) Pte. Ltd.’s (“**Baker Tilly**”) valuation of the investment value of 8TPS is based on various assumptions as set out in their Valuation Report, including without limitation:

- (a) 8TPS’s ability to achieve its forecasted financials for the financial years ending 31 December 2018 to 31 December 2027. In particular 8TPS’s ability to:
 - (i) renew the contract with HRS beyond the two-year period on no worse terms;
 - (ii) sign contracts with businesses and hotels in the PRC according to the schedule outlined under the Valuation Report;
 - (iii) innovate and maintain its relevant as an application and a plug-in on the business-to-business travel software platforms it services; and
 - (iv) achieve its forecasted earnings before interest, taxes, depreciation and amortization.
- (b) The pricing methodology which Baker Tilly has adopted is the income approach’s discounted cash flow method.

Question 3: On 2(a)(i) of the Company’s response above, please let us know how long/many years is the contract with HRS assumed to be renewed for.

Response: At this juncture, the Company is unable to predict the renewal period for the HRS contract, as it would depend on the market conditions, performance of 8TPS and the bargaining positions of the parties at the relevant time. The assumption is that the subsequent renewal period will be two (2) years beyond the expiry of the current contract with HRS.

Question 4: On 2(a)(ii) of the Company’s response above on the assumption of 8TPS signing contracts with businesses and hotels in the PRC according to the schedule outlined in the Valuation Report, can you quantify the number of contracts or explain further on the assumption of scaling 8TPS’ businesses?

Response: 8TPS’s principal business is the use of technology to assist corporate employees in their travel bookings via 8TPS plug-ins into corporate travel management applications and systems, for a fee.

The Board is therefore of the view that the success of 8TPS's corporate travel solution is dependent on the volume of hotel spend by corporate employees, which is in turn is predicated on 8TPS's ability to scale up and grow its Hotel Partnerships and corporate client base.

To date, 8TPS has informed us that they have signed up over 10,000 hotel partners, which is ahead of the initial projected plan for the financial year ending 31 December 2018, being approximately 6,460. In the subsequent years, the projections for the number of hotel partners (as set out under page 16 of the Valuation Report) are as follows:

Financial year ending 31 December 2019 - 12,268 hotel partners
Financial year ending 31 December 2020 - 14,136 hotel partners
Financial year ending 31 December 2021 - 14,378 hotel partners
Financial year ending 31 December 2022 - 14,686 hotel partners

Question 5: How many contracts has 8TPS signed up currently? In view of the existing signup rate, what is the Board's view and justification on whether the assumption on future sign ups as adopted in the valuation report, is achievable?

Response: 8TPS's hotel partners provide the company with the inventory of hotel options for its large corporate clients whose employees make hotel bookings via the 8TPS platform ("hotel spend"). The revenue of 8TPS is derived primarily from a range of fees charged to hotel partners as a percentage of hotel spend by corporate clients. A large and growing number of hotel partners is therefore an important success factor in encouraging employees of corporate clients to increase their hotel spend via the 8TPS platform.

To date, 8TPS has entered into contracts with three (3) large corporate clients and is close to concluding contracts with two (2) other large scale enterprises. Due to the confidentiality reasons, 8TPS will not be able to reveal the names of these potential corporate clients.

8TPS projects its corporate client sign up rate to be as follows:

Financial year ending 31 December 2018 - 5 corporate clients (a target which is soon to be reached)
Financial year ending 31 December 2019 - 18 corporate clients
Financial year ending 31 December 2020 - 35 corporate clients
Financial year ending 31 December 2021 - 55 corporate clients
Financial year ending 31 December 2022 - 78 corporate clients

For the above five-year period, projected hotel spend is expected to rise from RMB347 million (for the financial year ending 31 December 2018) to RMB3.2 billion in (for the financial year ending 31 December 2022). Over this same period, 8TPS' projected revenue is expected to rise from RMB24.3 million to RMB234.4 million.

The foregoing is predicated on the anticipation that corporate client sign up rates and hotel spend will rise as more companies and their employees see the benefits of utilising 8TPS' online corporate travel solutions.

The Board is of the view that this pace of growth (both in terms of the sign up of hotel partners and corporate clients) demonstrates strong industry demand for such a corporate travel technology solution and will put 8TPS in a good position to achieve its target performance as indicated in the Valuation Report.

The Board accepts and take seriously the view that all investments would be accompanied by potential risks as well as rewards and shall monitor closely the performance of 8TPS in the coming year. The Board is also committed to ensuring that each subsequent investment or increase in shareholding in 8TPS shall be promptly announced to the public, if and when these corporate developments take place.

BY ORDER OF THE BOARD

Poh Wee Chiow, Roger
Executive Director

1 June 2018

*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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