A-Sonic aerospace

# ANNUAL REPORT 2016

# OUR **MISSION**

An integrated team in diverse markets working to provide seamless aviation & logistic solutions

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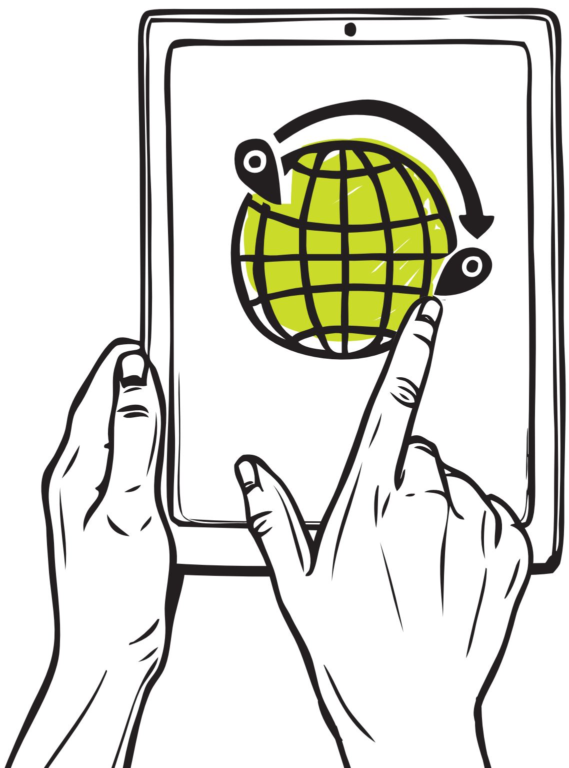


# CORPORATE **PROFILE**

## OUR BUSINESS AND OPERATIONS

The A-Sonic Group is engaged in two areas of businesses, aviation and logistics. We currently operate in 34 cities in 16 countries, spanning four (4) continents in Asia, North America, Sub-Continent India, and Europe.

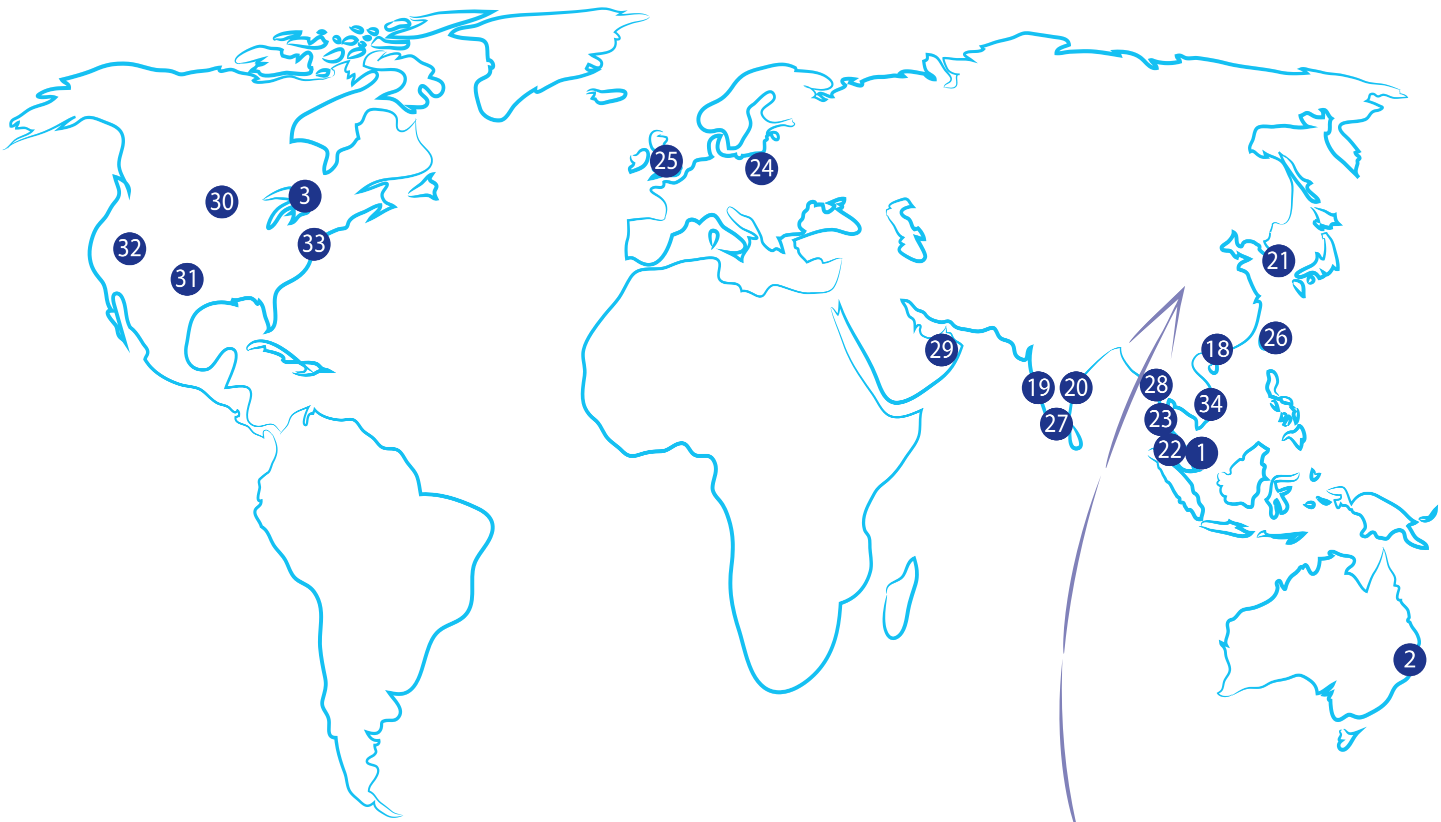
## AVIATION BUSINESS

We are engaged in the sale, lease and purchase of aircraft and aircraft engines.

## LOGISTICS BUSINESS

We are engaged in providing supply chain management services. We specialize in various aspects of logistic solutions, including international and domestic multi-modal transportation, warehousing, distribution, customs clearance, and airport ground services.

# OUR **PRESENCE**




1 Singapore
2 Sydney, Australia
3 Toronto, Canada
4 Beijing, PRC
5 Dalian, PRC
6 Fuzhou, PRC
7 Guangzhou, PRC
8 Harbin, PRC
9 Jinan, PRC
10 Nanjing, PRC
11 Ningbo, PRC
12 Qingdao, PRC
13 Shanghai, PRC
14 Shenzhen, PRC
15 Tianjin, PRC
16 Xiamen, PRC
17 Yantai, PRC
18 Hong Kong
19 Bangalore, India
20 Chennai, India
21 Seoul, Korea
22 Kuala Lumpur, Malaysia
23 Penang, Malaysia
24 Rotterdam, The Netherlands
25 London, United Kingdom
26 Taipei, Taiwan
27 Colombo, Sri Lanka
28 Bangkok, Thailand
29 Dubai, UAE
30 Chicago, USA
31 Dallas, USA
32 Los Angeles, USA
33 New York, USA
34 Ho Chi Minh, Vietnam

# CORPORATE **INFORMATION**

## BOARD OF DIRECTORS

Janet LC Tan
*(Chief Executive Officer)*

Tan Lay Yong Jenny
*(Executive Director)*

Irene Tay Gek Lim
*(Executive Director)*

Yam Mow Lam
*(Independent Director)*

Choh Thian Chee Irving
*(Lead Independent Director)*

Gurbachan Singh
*(Independent Director)*

## COMPANY SECRETARIES

Grace CP Chan *(LLB (Hons), ACIS)*
Seoh Choon Hong *(CA)*
Loo Keat Choon *(CA)*
Loo Hoe Soon *(CA)*

## AUDIT COMMITTEE

Yam Mow Lam *(Chairman)*
Choh Thian Chee Irving
Gurbachan Singh

## NOMINATING COMMITTEE

Choh Thian Chee Irving *(Chairman)*
Janet LC Tan
Yam Mow Lam

## REMUNERATION COMMITTEE

Choh Thian Chee Irving *(Chairman)*
Yam Mow Lam
Gurbachan Singh

## REGISTERED OFFICE

10 Anson Road
#24-07, International Plaza
Singapore 079903
Tel: +65 6226 2072
Fax: +65 6226 2071
Website: www.asonic-aerospace.com

## SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902
Tel: +65 6227 6660
Fax: +65 6225 1452

## AUDITORS

Baker Tilly TFW LLP
Certified Accountants of Singapore
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778
Tel: +65 6336 2828

Partner-in-charge:
Mr Khor Boon Hong
(with effect from financial year
ended 31 December 2016)

## PRINCIPAL BANKERS

United Overseas Bank Limited
Hongkong & Shanghai Banking Corporation Limited

# CEO'S **MESSAGE**

"The path forward will continue to be uneven, and there will be periods where the long-term investments we make will affect our near-term results. Nonetheless, we will not sacrifice short-term results for long-term sustainable growth."

## DEAR FELLOW SHAREOWNER

The global economy is in the midst of a protracted period of slow growth environment. Growth outlook for 2017 shows a continuation of this trend.

Ongoing geopolitical tides, and economic uncertainties around the world, are constantly changing. We have to be more agile to prepare ourselves for more disruptions from geopolitical tensions, policy uncertainty, financial market volatility, and rapid changes in technology.

As we move forward into 2017 under such challenging environment, we need to stay focused to maintain positive momentum. To achieve this goal, we are centering our efforts on two overarching strategies:

- First, to continue building strength-on-strength to execute our enterprise initiative. More offices in our network must operate efficiently, effectively and productively.

- Second, to stretch ourselves beyond, and leverage on the qualitative sources of growth with investment in technology and business productivity, even more so in such times, of stagnation.

In FY 2016, we stayed focus to streamline our logistics business model to solidify our foundation. And we did it! At operating level, the earnings before interest, tax, depreciation and amortization ("EBITDA") of our logistics business improved in FY 2016, compared to FY 2015 – but there is still a lot of work to be done. With the storied 2016 as inspiration for the future, we shall relentlessly continue to execute with clear strategy and consistent focus across the logistics business unit.

Of course the path forward will continue to be uneven, and there will be periods where the long-term investments we make will affect our near-team results. Nonetheless, we will not sacrifice short-term results for long-term sustainable growth. In an era of great changes in the supply chain, we have to re-examine, re-engineer and re-invest our business to adapt to the quickening pace of transformational changes in the logistics industry.

Our aviation business unit continued to encounter head winds, resulting in slower activity. We will continue to pursue potential buyers globally for our aircraft and aircraft engines.

Change is imperative in order for better solutions to emerge. On this note, I would like to thank our loyal shareholders for the trust you bring to our management and to the Board.

**JANET LC TAN**
Chief Executive Officer

# BOARD OF **DIRECTORS**

## MS JANET LC TAN

Ms Janet LC Tan is the promoter founder and Chief Executive Officer. Her responsibilities include setting the overall long-term business direction, developing business strategies, and implementing growth strategies for the A-Sonic Aerospace and its subsidiaries ("A-Sonic Group").

She has over 20 years of extensive experience in the aviation industry.

## MS TAN LAY YONG JENNY

Ms Jenny Tan is the co-founder and the Executive Director. Her responsibilities include overall operational, administrative management, information technology systems and human resources of the aerospace engineering-related business. She has a Bachelor of Science degree from the National University of Singapore.

## MS IRENE TAY GEK LIM

Prior to joining the group, Ms Irene Tay Gek Lim was from the financial services industry. She graduated with degrees in accounting and law from Monash University, Australia, and post-graduate studies in law and banking from the National University of Singapore and University of Southampton, United Kingdom, respectively.

## MR YAM MOW LAM

Mr Yam Mow Lam is an Independent Director of A-Sonic Aerospace Limited, a Fellow of the Institute of Chartered Accountants in England and Wales and a practising member of the Institute of Chartered Accountants of Singapore. He also sits on the board of directors in Bright Vision Hospital.

With more than 38 years of public accounting practice, his knowledge and experience in various business sectors are a valuable contribution to the Group. He has an MBA (Investment & Finance) from the University of Hull, UK.

## MR CHOH THIAN CHEE IRVING

Mr Choh Thian Chee Irving is an Lead Independent Director of A-Sonic Aerospace Limited. He is the managing director of Optimus Chambers LLC, a Singapore law firm, and has more than 20 years of experience in legal practice, specializing in commercial litigation and international arbitration. He has a Bachelor of Law (Honours) degree from the University of Buckingham, UK and a mediator with the Singapore Mediation Centre. He is presently also an Independent Director of Serrano Limited, which is listed on the Catalist of the Singapore Exchange.

## MR GURBACHAN SINGH

Mr Gurbachan Singh started his career as a legal officer with the Inland Revenue Department (Ministry of Finance) in 1977. He was appointed as a judicial officer at the Subordinate Courts in 1986. Between 1991 to December 2013, he was the Partner and later the Managing Partner of a large law firm. Currently, he runs a law firm, GSM Law LLP where he is the Managing Partner.

He is a member of the STEP. He was also a member of the Revenue Chamber of Editorial and Research Committee of the Malaysia Institute of Taxation. He was also a Director of Tax Academy of Singapore and Honorary Tax Advisor to the Real Estate Developers' Association of Singapore (REDAS).

He graduated with a Bachelor of Law degree from National University of Singapore (the then University of Singapore) in 1977.

# FINANCIAL **PERFORMANCE**

A-Sonic Aerospace Limited and its subsidiaries (the "**A-Sonic Group**" or the "**Group**") are engaged in two areas of businesses, aviation and logistics. We operate in 34 cities in 16 countries, spanning four (4) continents in Asia, North America, Sub-Continent India and Europe. We have a total staff strength of approximately 700 personnel as at 31 December 2016.

Our aviation business relates to the sales, lease and purchase of aircraft and aircraft engines.

Our logistics business relates to supply chain management services and logistic solutions, including international and domestic multi-modal transportation, warehousing, distribution, customs clearance, and airport ground services.

## *Highlights*

The global economy is in the midst of a protracted period of slow growth environment. Growth outlook for 2017 shows a continuation of this trend.

Ongoing geopolitical tides, and economic uncertainties around the world, are constantly changing. We have to be more agile to prepare ourselves for more disruptions from geopolitical tensions, policy uncertainty, financial market volatility, and rapid changes in technology.

As we move forward into 2017 under such challenging environment, we need to stay focused to maintain positive momentum. To achieve this goal, we are centering our efforts on two overarching strategies:

- First, to continue building strength-on-strength to execute our enterprise initiative. More offices in our network must operate efficiently, effectively and productively.
- Second, to stretch ourselves beyond, and leverage on the qualitative sources of growth with investment in technology and business productivity, even more so in such times, of stagnation.

In FY 2016, we stayed focus to streamline our logistics business model to solidify our foundation. And we did it! At operating level, the earnings before interest, tax, depreciation and amortization ("EBITDA") of our logistics business improved in FY 2016, compared to FY 2015 – but there is still a lot of work to be done. With the storied 2016 as inspiration for the future, we shall relentlessly continue to execute with clear strategy and consistent focus across the logistics business unit.

Of course the path forward will continue to be uneven, and there will be periods where the long-term investments we make will affect our near-team results. Nonetheless, we will not sacrifice short-term results for long-term sustainable growth. In an era of great changes in the supply chain, we have to re-examine, re-engineer and re-invest our business to adapt to the quickening pace of transformational changes in the logistics industry.

Our aviation business unit continued to encounter head winds, resulting in slower activity. We will continue to pursue potential buyers globally for our aircraft and aircraft engines. It is encouraging to note that, on or about the date of the announcement, one of the customers of our aviation business unit had indicated that there was a possibility of a full and final settlement of a debt amounting to US$6,256,000, which we had made allowance for doubtful finance lease receivables and trade receivables as at end of FY 2015. The settlement may take in the form of the issuance of new shares of the customer, which is a public company on an emerging stock exchange. The matter is still work-in-progress. At the time of this announcement, there is no assurance of the debt recovery, the quantum, the accompanying terms and conditions, and the circumstances that may impair the viability or sustainability of the debtor. Accordingly, there is no certainty of the debt recovery. Further disclosure will be made at the appropriate time.

## INCOME STATEMENT

### *Revenue*

#### FY 2016 vs FY 2015

Our "Total revenue" comprises "Turnover" and "Other income". We recorded "Total revenue" of US$186.312million in FY 2016, compared to US$202.639 million in FY 2015. The decline of US$16.327 million in "Total revenue" in FY 2016 was due to lower "Turnover" of US$13.434 million, and a decrease of US$2.893 million in "Other income".

In FY 2016, the aviation business contributed 0.1% (US$0.256 million) of the Group's "Turnover". The remaining 99.9% (US$184.692 million) of "Turnover' was generated from logistics business. "Turnover" decreased US$13.434 million (6.8%) to US$184.948 million in FY 2016, compared to US$198.382 million in FY 2015, largely due to:

(i) A reduction of US$2.133 million (89.3%) in the aviation "Turnover" to US$0.256 million in FY 2016, compared to US$2.389 million in FY 2015. The decline in the aviation "Turnover" was due to lower business volume; and

# FINANCIAL **PERFORMANCE**

(ii) A reduction of US$11.301 million (5.8%) in the logistics "Turnover" to US$184.692 million in FY 2016, compared to US$195.993 million in FY 2015. The decline in the logistics "Turnover" was largely due to lower freight rates throughout much of FY 2016. The soft freight rates were mainly due to the stagnating growth in trade and global economic slowdown.

"Other income" decreased US$2.893 million (68.0%) to US$1.364 million in FY 2016, compared to US$4.257 million in FY 2015, mainly attribute to:

(i) The absence of a one-off gain in FY 2016, which was present in FY 2015 resulting from the disposal of a joint venture and an associated company which amounted to US$2.089 million and US$0.033 million respectively;

(ii) A decrease of US$0.024 million in "Other miscellaneous income"; and

(iii) A decline of US$0.603 million in "Finance lease interest income" from aviation business.

## *Total Costs and Expenses*

**FY 2016 vs FY 2015**

Our "Total costs and expenses" decreased US$24.771 million (11.6%) to US$188.364 million in FY 2016, compared to US$213.135 million in FY 2015. The decline of US$24.771 million in "Total costs and expenses" was due to:

(i) Lower "Freight charges" relating to our logistics business, and "Purchases of goods and consumables used" relating to our aviation business. "Freight charges" decreased US$11.584 million (6.7%) to US$161.916 million in FY 2016, compared to US$173.500 million in FY 2015. The reduction in "Freight charges" was in line with a decline of US$13.434 million (6.8%) in "Turnover" in FY 2016.

"Purchases of goods and consumables used" decreased US$1.096 million to US$0.292 million in FY 2016, compared to US$1.388 million in FY 2015. The reduction was in line with a decline of US$2.133 million (89.3%) in the aviation "Turnover" in FY 2016; and

(ii) A decrease of US$11.183 million in "Other operating expenses" to US$7.027 million in FY 2016, compared to US$18.210 million in FY 2015. The reduction of US$11.183 million in "Other operating expenses" in FY 2016 was primarily attributable to the following factors:

(a) A reduction of "Allowance for doubtful finance lease receivable" of US$5.763 million to US$0.329 million in FY 2016, compared to US$6.092 million in FY 2015;

(b) The absence of "Impairment of property, plant and equipment", and reduction in "Inventories written off" and "Inventories written down" of US$1.366 million, US$0.271 million and US$0.214 million respectively, in FY 2016, compared to FY 2015;

(c) We registered an "Foreign currency exchange gain" of US$0.004 million in FY 2016, compared to an "Foreign currency exchange loss" of US$1.181 million in FY 2015; and

(d) "Allowance for doubtful non-trade receivables" reduced US$0.457 million to US$0.140 million in FY 2016, compared to US$0.597 million in FY 2015.

## *Gross Profit*

**FY 2016 vs FY 2015**

Our "Gross profit" was computed based on "Turnover" less "Changes in inventories", "Purchases of goods and consumables used" and "Freight charges". "Gross profit" decreased US$0.034 million (0.1%) to US$22.819 million in FY 2016, compared to US$22.853 million in FY 2015. The decline was due to:

(i) "Gross profit" from the aviation business decreased US$0.314 million to US$0.036 million in FY 2016; and

(ii) The logistics "Gross profit" increased US$0.280 million to US$22.783 million in FY 2016. The logistics "Gross profit" increased in FY 2016 largely due to decrease in "Freight charges".

## *Loss attributable to Equity Holders of the Company*

**FY 2016 vs FY 2015**

In FY 2016, we incurred a smaller "Loss Attributable to Equity holders of the Company" of US$2.465 million, compared to US$9.994 million in FY 2015. "Loss Attributable to Equity holders of the Company" reduced US$7.529 million mainly attributable to a lower "Other operating expenses" in FY 2016, compared to FY 2015.

# FINANCIAL **PERFORMANCE**

"Other operating expenses" decreased US$11.183 million to US$7.027 million in FY 2016, compared to US$18.210 million in FY 2015 largely owing to the following five (5) factors:

(i) "Allowance for doubtful finance lease receivables" reduced US$5.763 million to US$0.329 million in FY 2016, compared to US$6.092 million in FY 2015;

(ii) The absence of "Impairment of property, plant and equipment" of US$1.366 million in FY 2016, which was present in FY 2015 as a result of impairment of aircraft and engines;

(iii) We had an "Foreign currency exchange gain" of US$0.004 million in FY 2016, compared to an "Foreign currency exchange loss" of US$1.181 million in FY 2015;

(iv) The reduction in "Inventories written down" of US$0.214 million and "Inventories written off" of US$0.271 million for aircraft components in FY 2016; and

(v) The absence of "Allowance for impairment loss on investments in associated companies" of US$0.147 million in FY 2016.

## BALANCE SHEET

### *Non-current assets*

The Group's "Non-current assets" decreased US$4.704 million to US$6.949 million as at 31 December 2016 ("FY 2016), compared to US$11.653 million as at 31 December 2015 ("FY2015"). The reduction in "Non-current assets" was attributable to:

(i) a reduction of US$4.535 million in "Property, plant and equipment" mainly due to the reclassification of the aircraft and aircraft component of US$3.778 million as "Inventories" under "Current Assets" in FY 2016. The aircraft and aircraft components were reclassified as "Current Assets" in FY 2016 because these assets are held for sale in the ordinary course of aviation business; and

(ii) a reduction of US$0.139 million in "Deferred tax assets".

### *Current assets*

"Current assets" increased US$8.307 million to US$57.726 million as at end of FY2016, compared to US$49.419 million as at the end of FY 2015. "Current asset" was higher in FY 2016 mainly due to:

(i) an increase in "Inventories" as a result of the reclassification of the aircraft and aircraft components of US$3.778 million from "Property, plant and equipment" to "Inventories" in FY 2016. The reason for the reclassification is as explained above; and

(ii) an increase in "Trade and other receivables" to US$34.672 million as at FY 2016. "Trade and other receivables" increased as at 31 December 2016 largely due to the surge in "Turnover" as at year end due to festive seasons such as Thanksgiving, Christmas, Boxing Day and New Year.

### *Non-current liabilities*

"Non-current liabilities" decreased US$0.427 million to US$1.291 million as at 31 December 2016 as a result of the partial repayment of the finance lease liabilities relating to the motor vehicles, which were used for our logistics business.

### *Current liabilities*

"Current liabilities" increased US$6.751 million to US$38.351 million as at end of FY 2016, compared to US$31.600 million as at end of FY2015, largely due to an increase of US$5.792 million in "Trade and other payables" to US$33.973 million as at 31 December 2016. The higher "Trade and other payables" was in line with the higher "Turnover" as at year end due to the festive seasons and higher "Bank borrowings" to finance an increase in working capital particularly during the peak seasons.

### *Net assets*

Our Group's net asset value stood at US$25.033 million as at end of FY 2016, compared to US$27.754 million as at end of FY 2015. Net asset value decreased US$2.721 million, mainly because "Total assets" increased US$3.603 million in FY 2016 compared to FY 2015, whereas "Total liabilities" increased US$6.324 million in FY 2016 compared to FY 2015.

The Group's gearing based on total bank borrowings and finance lease liabilities, to net asset value excluding "Non-controlling interest", stood at 18.5% as at the end of FY 2016, compared to 15.7% as at the end of FY 2015.

# FINANCIAL **PERFORMANCE**

### *Equity*

Excluding "Non-controlling interests", our "Equity attributable to equity holders of the Company" stood at US$26.819 million as at end of FY 2016, compared to US$29.417 million as at end FY 2015. The decline of US$2.598 million in "Equity attributable to equity holder of the Company" was largely due to:

(i) The Group's "Accumulated losses" increased US$2.551 million to US$16.820 million as at end of FY 2016, compared to US$14.269 million as at the end of FY 2015. This was due to the "Loss attributable to equity holders of the Company" of US$2.465 million in FY 2016; and

(ii) The Group's negative "Foreign currency translation reserve" increased US$0.047 million to a negative reserve of US$8.119 million as at the end of FY 2016, compared to negative reserve of US$8.072 million as at end of FY 2015.

## CASH FLOW

### FY 2016 vs FY 2015

"Net cash generated used in operating activities" was US$0.504 million in FY 2016, compared to "Net cash generated from operating activities" of US$3.056 million in FY 2015 largely due to:

(i) The "Operating cash flow before working capital changes" amounted to US$1.337 million in FY 2016, compared to US$10.600 million in FY 2015;

(ii) Cash generated from "Payables" of US$5.771 million in FY 2016, compared to US$7.925 million used in "Payables" in FY 2015;

(iii) Cash used in "Receivables" of US$5.027 million in FY 2016, while US$15.119 million was generated from "Receivables" in FY 2015;

(iv) "Income tax paid" in FY 2016 was US$0.036 million; and

(v) One off cash used in "Finance lease receivables" in FY 2015 was US$6.252 million.

"Net cash generated from investing activities" amounted to US$0.040 million in FY 2016, compared to "Net cash generated from investing activities" of US$5.120 million in FY 2015. The "Net cash generated from investing activities" in FY 2016 mainly comprised of cash generating from (i) "Dividend received from an associated company" of US$0.258 million and "Interest received" of US$0.119 million. However, the cash generated from investing activities was partially offset by cash used in "Payment to non-controlling interest upon dissolution of subsidiary" of US$0.219 million, "Purchase of property, plant and equipment" of US$0.093 million and "Acquisition of subsidiary, net of cash acquired" of US$ 0.061 million.

Whilst in FY 2015, the "Net cash generated from investing activities" were mainly from "Proceed from disposal of a joint venture" of US$4.593 million and "Dividend received from an associated company" of US$0.315 million and "Dividend received from joint venture" of US$0.252 million.

"Net cash generated from financing activities" amounted to US$0.100 million in FY 2016, compared to "Net cash used in financing activities" of US$6.390 million in FY 2015. The "Net cash generating from financing activities" was largely attributable to (i) lower "Repayment of bank borrowings" of US$2.277 million in FY 2016 compared to "Repayment of bank borrowings" of US$6.869 million in FY 2015 and (ii) Cash used in "Shares bought back" of US$0.042 million in FY 2016, compared to US$0.572 million in FY 2015.

# CORPORATE **GOVERNANCE STATEMENT**

A-Sonic Aerospace Limited is committed to high standards of corporate governance and endorses the guidelines of the *revised Code of Corporate Governance issued on 2 May 2012 ("2012 Code")* to protect the interests of its shareholders. This report describes the Company's corporate governance processes and activities with specific reference to the 2012 Code. The Company has adhered to the principles and guidelines set out in the 2012 Code to such extent and as best as it can.

## PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

The Board of Directors (the "Board") oversees the overall management of the Group, approves the Group's broad policies, strategies and financial objectives. Apart from discharging their statutory and fiduciary responsibilities both individually and collectively, the other principal roles of the Board include:

(a) provides entrepreneurial leadership and ensure necessary financial and human resources are in place for the Company and Group to meet its objective;
(b) oversees the process and framework for evaluating the adequacy of internal controls, risk management, financial reporting and compliance and satisfy itself as to the adequacy and effectiveness of such processes and framework;
(c) review management performance; and
(d) nominates its directors for appointments to the various Board committees.

As an established practice, the matters that require the specific review and approval of the Board are:

(a) material acquisition or divestment proposals;
(b) matters involving conflict of interest for a substantial shareholder or a director;
(c) corporate or financial restructuring; and
(d) share issuances, dividend distribution, share buy-back and other returns to shareholders.

In 2016, the Board comprised three executive directors and three non-executive directors, with relevant and diverse experience to contribute effectively to the Group. All of the three non-executive directors were independent directors. The Board conducted regular scheduled meetings. Ad hoc meetings were also convened when circumstances required. To facilitate the attendance and participation of directors at Board meetings, the Company's Constitution provides for directors to participate in Board meetings by telephone conference or video conference.

The Board is supported by the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") for effective discharge of their responsibilities. These committees were formed in August 2003 and are chaired by independent directors.

# CORPORATE **GOVERNANCE STATEMENT**

Seven Board meetings, four AC meetings, one RC meeting and two NC meeting were conducted during the 2016 financial year. The attendance of the Board members for each meeting is set out in the table below:–

| | Board | Audit Committee | Nominating Committee | Remuneration Committee |
|---|---|---|---|---|
| **Board of Directors**[(1)] | | | | |
| 1. Janet LC Tan | 7/7 | | | |
| 2. Tan Lay Yong Jenny | 7/7 | | | |
| 3. Irene Tay Gek Lim | 7/7 | | | |
| 4. Yam Mow Lam | 6/7 | | | |
| 5. Choh Thian Chee Irving | 7/7 | | | |
| 6. Dr Wang Kai Yuen[(3)] | 4/7 | | | |
| 7. Gurbachan Singh[(4)] | 3/7 | | | |
| **Audit Committee**[(2)] | | | | |
| 1. Yam Mow Lam | | 3/4 | | |
| 2. Choh Thian Chee Irving | | 4/4 | | |
| 3. Dr Wang Kai Yuen[(3)] | | 1/4 | | |
| 4. Gurbachan Singh[(4)] | | 3/4 | | |
| **Nominating Committee**[(2)] | | | | |
| 1. Choh Thian Chee Irving | | | 2/2 | |
| 2. Janet LC Tan | | | 2/2 | |
| 3. Yam Mow Lam | | | 2/2 | |
| **Remuneration Committee**[(2)] | | | | |
| 1. Choh Thian Chee Irving | | | | 1/1 |
| 2. Yam Mow Lam | | | | 1/1 |
| 3. Dr Wang Kai Yuen[(3)] | | | | 1/1 |
| 4. Gurbachan Singh[(4)] | | | | 0/1 |

*(1) The composition of the Board of Directors in 2016*

*(2) The composition of the respective committees in 2016*

*(3) Dr Wang Kai Yuen retired on 28 April 2016*

*(4) Gurbachan Singh was appointed on 29 April 2016*

The Company has an orientation program in place for incoming directors to familiarize them with the Company's business and governance practices. To keep pace with regulatory changes, the directors are provided with information, updates and appropriate training from time to time including any changes in legislation and financial reporting standards, government policies, regulations and guidelines from SGX-ST that affect the Company and/or the directors in discharging their duties.

# CORPORATE **GOVERNANCE STATEMENT**

## PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board comprised three executive directors and three non-executive directors. All of the three non-executive directors were independent directors. In this regard, half of the Board is considered independent. Key information regarding the directors is given in the 'Board of Directors' section of the annual report. The independence of each Director is reviewed annually by the NC. The NC adopts the 2012 Code's definition of what constitutes an independent director in its review.

2012 Code further requires the independence of any director who has served on the Board beyond nine years from the date of first appointment to be rigorously reviewed. The basis of determination by the NC takes into account the annual confirmation of independence (the "Confirmation") completed by each independent director. Each independent director is required under the Confirmation to critically assess his independence and to confirm whether he considers himself independent.

In line with 2012 Code, the NC introduced the peer assessment of independence of each director who has served the Board beyond nine years. The peer assessments considered, amongst others, the contribution by the director, the uniqueness of his skills and participation at meetings. Having carried out their review for FY 2016 and taking into account the view of the NC, the Board determined that Mr Yam Mow Lam and Mr Choh Thian Chee Irving, who were both appointed on 29 July 2003, be considered independent notwithstanding that they have served on the Board beyond nine years. Mr Yam Mow Lam and Mr Choh Thian Chee Irving have contributed effectively by providing impartial and autonomous views, advice and judgement. They have continued to demonstrate strong independence in character and mind.

In assessing the independence of the Directors who have served beyond nine years, the Board has carried out a rigorous review and has assessed in accordance to the Code of Corporate Governance's definition. The Board has taken into consideration of the following factors in assessing the independence of each, Mr Yam Mow Lam and Mr Choh Thian Chee Irving:

(a) each of them are able to exercise independent judgement in the best interest of the Company as they do not have any relationship with the Company, its related corporations, its substantial shareholders or its officers;

(b) each of them are able developed the significant insights into the Group's business and operations over the years and continuing to provide invaluable contribution objectively to the Board as a whole; and

(c) they each contribute to the Board in terms of professionalism, integrity, objectively and ability to exercise independent character and judgement in their deliberation in the interests of the Company.

Therefore, the Board continued to deem Mr Yam Mow Lam and Mr Choh Thian Chee Irving as Independent Directors.

The NC is of the view that the current Board members comprise persons who have the necessary core competencies to achieve the Group's objectives. The Board proactively seeks to maintain an appropriate balance of expertise, skills and attributes among the directors. This is also reflected in the diversity backgrounds and competencies of the directors, whose competencies range from banking, finance, accounting and legal to relevant industry knowledge, entrepreneurial and management experience, and familiarity with regulatory requirements and risk management. The Board will constantly examine its size with a view to determine its impact upon its effectiveness.

# CORPORATE **GOVERNANCE STATEMENT**

## PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Ms Janet LC Tan is both the Chairman of the Board ("Chairman") and the Chief Executive Officer ("CEO") of the Group. The Board is of the view that it is not necessary to separate the roles of the Chairman and the CEO given the current corporate structure and scope of the Group's operations. There is also a balance of power and authority with the various committees chaired by independent directors.

As a Chairman, Ms Janet LC Tan's responsibilities are as follows:

(a) leads Board to enable the Board to discharge its duties effectively, and to maintain and enhance the Group's standards of corporate governance;

(b) sets the agenda and ensure that sufficient information and time are available to discuss all items on the agenda;

(c) promotes openness and debate by all directors at the Board meetings;

(d) facilitates effective communication with shareholders; and

(e) encourages constructive relations within Board.

The CEO is responsible for the day-to-day management of the Group as well as the exercise of control over the quality, quantity and timeliness of information flow between the Board and the Management and in developing the business of the Group.

As the CEO and Chairman is the same person, the Board has appointed one of its independent directors, Mr Choh Thian Chee Irving, Chairman of the NC and RC, as the lead independent director. The lead independent director acts as the leader of the independent directors at board meetings in raising queries and pursuing matters; and leads meetings of independent directors without the presence of the executive directors. The lead independent director also acts as a bridge between independent directors and the Chairman and is also available to shareholders if they have concerns relating to matters which contact through the normal channels of Chairman/CEO or executive directors has failed to resolve, or where such contact is inappropriate.

## PRINCIPLE 4: BOARD MEMBERSHIP

The Company's Constitution requires one-third of the directors to retire from office by rotation and subject themselves to re-election by shareholders at every Annual General Meeting (AGM). Every director must retire from office and may submit himself for re-nomination and re-election at least once every three years.

In 2016, the NC comprised three members, two of whom were independent directors. The Chairman is Mr Choh Thian Chee Irving who is the lead independent director. Other members of the NC are Mr Yam Mow Lam and Ms Janet LC Tan. The terms of reference of the NC include:

(a) to make recommendations to the Board on the re-nomination and re-election of directors, having regard to each Director's contribution and performance;
(b) to review on an annual basis whether a director is independent;

# CORPORATE **GOVERNANCE STATEMENT**

(c) to review whether a director who has multiple board representations is able to and has been adequately carrying out his duties as director of the Company; and
(d) to make recommendations to the Board on new appointments to the Board.

The NC will review the range of skills, expertise, attributes and composition of the Board. It is the responsibility of the NC to identify whether there is a need for an additional director to join the Board or an existing director is required to retire from office. The NC will shortlist candidates with the appropriate profile for nomination or re-nomination. In the evaluation of the performance and contribution of a director, the NC will consider factors such as attendance, participation, requisite skills, and related knowledge of the director.

Key information regarding the directors is disclosed on page 4: "Corporate Information" and 6: "Board of Directors" of this annual report, respectively.

2012 Code requires listed companies to fix the maximum number of board representations on other listed companies that their directors may hold and to disclose this in their annual reports. The NC has set the guidelines on the maximum number of board appointment in listed companies that a director can hold to ensure that directors are able to commit their time to effectively discharge their responsibilities. Based on the guidelines set by the NC, each director cannot have more than nine listed board representations including the Company. Nevertheless, as the number of board representations should not be the only measure of a director's commitment and ability to contribute effectively, the NC takes the view that if a director wishes to hold board representations which is more than the maximum stated per the guidelines, the request must be made to the Chairman of the Board for approval.

List of directorships or chairmanships held as at date of this annual report or the past 3 years in other listed companies

| **Name of Director** | **Company** | **Date of Appointment** | **Date of Resignation/ Retirement** |
|---|---|---|---|
| Irving Choh Thian Chee | Serrano Limited | 28 October 2014 | – |
| Gurbachan Singh | Indiabulls Property Management Trustee Pte Ltd | 1 April 2014 | – |

# CORPORATE **GOVERNANCE STATEMENT**

## PRINCIPLE 5: BOARD PERFORMANCE

The NC will review and evaluate the performance of the Board as a whole once a year, taking into consideration attendance record at meetings of the Board and Board committees and the contribution of each individual director to the effectiveness of the Board. The assessment criteria covers areas such as board composition, information management, board processes, shareholder management, managing board's performance, effectiveness of board committees, director development and management, and risk management.

## PRINCIPLE 6: ACCESS TO INFORMATION

In order to fulfill their responsibilities, Board members are provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable the Board to make informed decisions to discharge their duties and responsibilities. Board members have separate and independent access to the management team and company secretaries. The Board may seek and obtain independent professional advice as and when necessary to enable it or the independent directors to discharge their responsibilities effectively at the Company's expense. Company secretaries attend all board meetings, ensuring Board procedures are complied with. The appointment and removal of company secretary is subject to approval of the Board.

## PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC makes recommendation to the Board on the framework of remuneration for the directors and key executives of the Company and its subsidiaries. Separate service agreements have been established for the executive directors.

In 2016, the RC comprised three members, all of whom were independent directors. The Chairman is Mr Choh Thian Chee Irving. Other members of the RC are Mr Yam Mow Lam and Mr Gurbachan Singh.

The terms of reference of the RC include:

(a) to make recommendations to the Board on the framework of remuneration for the directors and key executives;
(b) to review remuneration packages of group employees who are immediate family members of any of the directors or substantial shareholders of the Company; and
(c) to administer the Company's Employee Share Option Scheme.

# CORPORATE **GOVERNANCE STATEMENT**

## PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION
## PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The RC ensures the level and structure of remuneration is aligned with the long-term interest of the Company and the Group, and is appropriate to attract, retain and motivate the directors to provide good stewardship of and to run the Company successfully. Remuneration for executive directors comprises a base salary, and performance bonus tied to the Group's and individual's performance.

The Company's remuneration framework for its key executives comprises fixed pay and short-term and long-term incentives. The Company advocates performance based remuneration system that is flexible and responsive to the market. The remuneration is linked to the country/station's and individual key executive's performance.

### Disclosure on Directors' Remuneration

The following table shows the composition (in percentage terms) of the remuneration of directors of the Company for the financial year ended 31 December 2016:

| Directors | Remuneration band S$ | Fees % | Salaries % | Provident fund % | Bonus % | Allowances/ Benefits % | Total % |
|---|---|---|---|---|---|---|---|
| Chief Executive Officer[1] | *above 500,000* | 6.1% | 81.7% | 3.8% | 6.5% | 1.9% | 100.0% |
| Executive Director[2] | *250,000 to 500,000* | 9.5% | 69.2% | 4.9% | 6.3% | 10.1% | 100.0% |
| Executive Director[3] | *250,000 to 500,000* | 5.0% | 76.8% | 4.6% | 6.4% | 7.2% | 100.0% |
| Independent Director[4] | *below 250,000* | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% | 100.0% |
| Independent Director[5] | *below 250,000* | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% | 100.0% |
| Independent Director[6] | *below 250,000* | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% | 100.0% |
| Independent Director[7] | *below 250,000* | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% | 100.0% |

Notes:

Directors
(1) Janet LC Tan; (2) Tan Lay Yong Jenny; (3) Irene Tay Gek Lim; (4) Yam Mow Lam; (5) Choh Thian Chee Irving; (6) Dr Wang Kai Yuen; (7) Gurbachan Singh

The Company has not fully disclosed the remuneration of each individual director and the CEO nor the upper limit for the highest remuneration band as the Board believes that such disclosure is not in the best interest of the Company, given the confidentiality and sensitivity nature of the remuneration matter and the highly competitive business environment the Group operates in.

# CORPORATE GOVERNANCE STATEMENT

**Disclosure on five top-earning key executives' remuneration**

The bonuses for the Group's senior management were determined after taking into account the achievement of specified individual and organizational keys performance index set for FY 2016.

The table below shows the gross remuneration of the five top-earning executives for the financial year ended 31 December 2016:

| Key Executives | Remuneration band S$ | Salaries % | Commission/ bonus % | Defined contribution plan % | Allowances/ benefits % | Total % |
|---|---|---|---|---|---|---|
| Executive(1) | *above 500,000* | 79.3% | 0.0% | 0.0% | 20.7% | 100.0% |
| Executive(2) | *above 500,000* | 55.7% | 44.3% | 0.0% | 0.0% | 100.0% |
| Executive(3) | *250,000 to 500,000* | 98.8% | 0.0% | 1.2% | 0.0% | 100.0% |
| Executive(4) | *100,000 to 250,000* | 57.0% | 0.0% | 5.0% | 38.0% | 100.0% |
| Executive(5) | *100,000 to 250,000* | 79.7% | 20.3% | 0.0% | 0.0% | 100.0% |

Notes:

Key executives
(1) Zhao Xiwang; (2) Bob D. Arifin; (3) Sullivan Cliff Augustine; (4) Goh Ah Koi; (5) Yeo Chai Ying Josephine

The Company has not disclosed the upper limit for the highest remuneration band as the Board believes that such disclosure is not in the best interest of the Company, given the confidentiality and sensitivity nature of the remuneration matter among staff and the highly competitive business environment the Group operates in. The Board is of the view that disclosure of specific information may affect the retention of competent personnel in a competitive industry where poaching of executives is prevalent.

During 2016, none of the Directors had immediate family members not disclosed above who were employees of the Company and the Group, and whose personal annual remuneration exceeded S$50,000.

**PRINCIPLE 10: ACCOUNTABILITY**

The management is required to provide adequate and timely information to the Board on affairs and issues that require the Board's attention.

It is the Board's responsibility to provide timely and full disclosure of material information to shareholders in compliance with statutory requirements. The Group's quarterly and full year financial results are announced within legally prescribed periods. In communicating and disseminating the Group's results, the Company aims to present a balanced and understandable assessment of the Group's performance, position and prospects.

# CORPORATE GOVERNANCE STATEMENT

## PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Company's internal controls structure consists of the policies and procedures established to provide reasonable assurance to safeguard the assets of the Group against material misstatement, risks or loss. The Company's internal controls extends beyond the accounting and finance function – its scope addresses the financial, operational, compliance and information technology risks.

The Company has instituted an internal control framework covering financial, operational, compliance and information technology, as well as risk management policies and systems. The framework defines the roles and responsibilities of both business and support units. The design and implementation of risk management and internal control system are managed and reviewed by senior management. Key documentation, including delegation of authority, control process and operational procedures are disseminated to staff.

In addition, the Company appoints independent audit firm during the financial year to conduct internal audit on one of its subsidiaries. The independent audit firm' scope of audit includes: (i) evaluating the adequacy and effectiveness of the subsidiary' risk management and internal control systems, including whether there is prompt and accurate recording of transactions and proper safeguarding of assets; and (ii) reviewing whether the subsidiary comply with laws and regulations and adhere to established policies. The internal audit report of the independent party is submitted directly to the AC (reference also made to Principle 13: Internal Audit). The external auditors of the Company also have access to the internal audit report.

To complement our internal control process, the Company has established procedures for the staff of the Company and its subsidiaries to report possible improprieties, unethical practices, etc. in good faith and confidence without fear of reprisals or concerns (reference also made to the last paragraph on Whistle Blowing in Principle 12: Audit Committee).

The CEO and senior management have provided representation to the external auditors and the Board that the financial records have been properly maintained and the financial statements for the financial year ended 31 December 2016 give a true and fair view of the Group's operations and finances; and the system of risk management and internal controls in place were adequate and effective as at 31 December 2016 to address the financial, operational, compliance and information technology risks of the Company.

The AC reviews the adequacy of the Company's internal financial controls, operational and compliance controls, the risk management policies and systems established by the Company. Having regard to the above, the Board, with the concurrence of the AC, is of the opinion that the internal controls, addressing the financial, operational, compliance and information technology risks of the Company, were adequate as at 31 December 2016, to meet the needs of the Group in its current business environment. This is based on the internal controls established and maintained by the Company; the regular reviews performed by management; and the work performed by the internal and external auditors.

The internal audit and the internal controls systems put in place by management provides reasonable assurance against material financial misstatements or loss, reliability, relevance and integrity of information (including financial information), completeness of records, safeguarding of assets, effectiveness and efficiency of operations and compliance with applicable policies, laws and regulations. However, the Board also notes that such assurance cannot be absolute in view of the inherent limitations of any internal audit and internal controls systems against the occurrence of human and system errors, poor judgement in decision-making, losses, fraud or other irregularities.

# CORPORATE **GOVERNANCE STATEMENT**

## PRINCIPLE 12: AUDIT COMMITTEE

In 2016, the AC comprised three members, all of whom were independent and non-executive directors. The Chairman is Mr Yam Mow Lam. Other members of the AC are Mr Choh Thian Chee Irving and Mr Gurbachan Singh. With their collective wealth of experience and expertise on accounting and financial management, the members of the AC are appropriately qualified to discharge their responsibilities competently. The terms of reference of the AC include:

(a) to review the financial statements and recommend to the Board for approval;
(b) to review the scope and results of the external audits and the independence and objectivity of the external auditors;
(c) to review the audit plans of the external auditors;
(d) to review the external auditors' reports;
(e) to nominate the external auditors for re-appointment;
(f) to review interested person transactions;
(g) to review financial results before announcements;
(h) to review effectiveness of the internal audit function; and
(i) to review adequacy of risk management policies and internal control systems established by the Company.

The external auditors update the AC at its quarterly meeting on the changes to accounting standards and developments in issues with a direct impact on financial statements. The AC meets with the external auditors without the presence of the Management, once a year.

The AC oversees the scope and results of external audit, and the independence and objectivity of the external auditors annually. For the financial year under review, the AC has reviewed all non-audit services provided by the Company's external auditors and is satisfied with their independence and objectivity. For details of fees payable to the auditors in respect of audit and non-audit services, please refer to Note 8 of the Notes to the Financial Statements on page 59 in this annual report.

The Company's external auditors, Baker Tilly TFW LLP, are registered with and regulated by the Accounting and Corporate Regulatory Authority. The AC has recommended to the Board the re-appointment of Baker Tilly TFW LLP as the Company's external auditors at the forthcoming AGM.

Having regard to the above, the Company has complied with Listing Manual Rule 712 in relation to the appointment of its external auditors.

The Company has also complied with Listing Manual Rule 715 (1) and (2); and Rule 716 (1) and (2) with regard to the appointment of auditors for its Singapore incorporated subsidiaries and associated companies; and in the appointment of auditors for its significant foreign-incorporated subsidiaries and associated companies.

The AC has established procedures for the staff of the Company and its subsidiaries to raise any improprieties of any employee, or any improprieties in matters relating to financial or corporate affairs, or any other matters of the Company or its subsidiaries to the AC directly. These procedures are implemented to ensure that an independent investigation of such matters will be conducted, and that appropriate remedial action be taken. Details of the Whistle-blowing Policy can be found in the Staff Handbook.

# CORPORATE **GOVERNANCE STATEMENT**

## PRINCIPLE 13: INTERNAL AUDIT

The Board ensures that the management maintains a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

The Company's internal audit function was carried out by external independent audit firms during the financial year ended 31 December 2016. During the financial year, the internal auditor conducted an audit on one of its subsidiaries. The detailed report on the summary of the internal audit findings was issued to the AC and sent directly to the Chairman of the AC.

The internal auditors' duties encompass reviewing the Company's material internal controls consisting of financial, operational and compliance controls as well as risk management. The internal audit reviews all areas of operations.

## PRINCIPLE 14: SHAREHOLDERS' RIGHTS

In line with the continuing disclosure obligations of the Company pursuant to the SGX-ST Listing Manual and the Companies Act, Cap. 50 of Singapore, the Company's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant, rules and procedures governing such meetings, for instance, how to vote, are clearly communicated.

The Company's Constitution permits a shareholder to appoint not more than two proxies to attend and vote at general meetings in his stead.

## PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

In 2016, the Company reported its financial results quarterly and these results were published via SGXNET. It is the policy of the Company to disclose all price-sensitive information promptly and adequately, and release all price sensitive information through SGXNET. In addition to these quarterly events, the Company also publishes the Group's major and important corporate developments via SGXNET.

During the year, the senior management team conducted briefings including roadshows, where appropriate, to keep investors apprised of the Company and the Group's corporate developments and financial performance. The aim of such engagements is to provide shareholders and investors relevant information to enable them to have a better understanding of the Company and the Group's businesses and performance.

For the financial year ended 2016, the Company had not declared any dividend. In the event there is a declaration of dividends, details of dividend payment will be disclosed via the release of the announcement through SGXNET.

# CORPORATE GOVERNANCE STATEMENT

## PRINCIPLE 16: CONDUCT OF SHAREHOLDERS MEETINGS

A copy of the Company's annual report and notice of annual general meeting ("AGM") is sent to all shareholders. To encourage more shareholder participation, the Company's AGMs are held in locations that are easily accessible to shareholders.

The external auditors and members of the AC, NC and RC are present at the AGM to address any questions raised by the shareholders.

Separate resolutions are proposed on each substantially separate issue at the AGM. Shareholders are given the opportunity to raise questions and clarify any issue before the resolutions are to be passed.

## INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. There is no interested person transaction conducted for the financial year ended 31 December 2016.

## DEALINGS IN SECURITIES

The Group has procedures in place prohibiting dealings in the shares of the Company by its officers while in possession of price sensitive information. The Company and its subsidiaries' officers are not allowed to deal in the shares of the Company during the period commencing two weeks prior to the announcement of the Company's quarterly results; and a period of one month prior to the announcement of full year results. The Company's Directors and its officers, and of its subsidiaries are prohibited from dealing with the Company's securities on short-term considerations. Directors and officers are also expected to observe insider-trading laws at all times.

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**PROXY** FORM

# DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of A-Sonic Aerospace Limited (the "Company") and its subsidiary corporations (the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the balance sheet, and statement of changes in equity of the Company as set out on pages 32 to 89 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 and Financial Reporting Standards in Singapore; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

**Directors**

The directors in office at the date of this statement are:

Janet LC Tan
Tan Lay Yong Jenny
Irene Tay Gek Lim
Yam Mow Lam
Choh Thian Chee Irving
Gurbachan Singh

**Arrangement to enable directors to acquire benefits**

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

# DIRECTORS' **STATEMENT**

**Directors' interest in shares or debentures**

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act Cap. 50 except as follows:

| | Ordinary shares | | |
|---|---|---|---|
| | Shareholdings registered in name of director or nominee | | |
| **The Company** | **At** | **At** | **At** |
| **Name of Directors** | **1.1.2016** | **31.12.2016** | **21.01.2017** |
| Janet LC Tan | 93,596,992 | 31,198,997* | 31,198,997* |
| Tan Lay Yong Jenny | 1,080,210 | 360,070* | 360,070* |
| Irene Tay Gek Lim | 1,448,400 | 482,800* | 482,800* |
| Yam Mow Lam | 71,250 | 23,750* | 23,750* |
| Choh Thian Chee Irving | 22,500 | 7,500* | 7,500* |

* The number of shares is stated after the completion of a share consolidation exercise of 3 shares into 1 consolidated share during the financial year ended 31 December 2016.

By virtue of Section 7(4) of the Companies Act Cap. 50, the director, Janet LC Tan is deemed to have an interest in the shares held by the Company in its wholly-owned subsidiaries.

Janet LC Tan, by virtue of her interest of not less than 20% of the issued share capital of the Company is deemed to have an interest in the shares held by the Company in the following subsidiary corporations that are not wholly-owned by the Company:

| | | **At** | **At** |
|---|---|---|---|
| | **Description of Interests** | **1.1.2016** | **31.12.2016** |
| A-Sonic Express Logistics (India) Private Limited | Ordinary Shares | 1,800,000 | 1,800,000 |
| A-Sonic Logistics (ROC) Co Ltd | Ordinary Shares | 4,500,000 | 4,500,000 |
| UBI Logistics Limited | Ordinary Shares | 71,600 | 71,600 |
| UBI (HK) International Limited | Ordinary Shares | 5,100 | 5,100 |
| UBI Logistics (HK) Limited | Ordinary Shares | 5,100 | 5,100 |
| UBI Logistics (Australia) Pty Ltd | Ordinary Shares | 38,250 | 38,250 |
| UBI Logistics (China) Limited | Registered Capital (Renminbi) | 15,408,120 | 15,408,120 |

**Share options**

During the financial year, there were:

(i) no options granted by the Company and its subsidiaries to any person to take up unissued shares in the Company and its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company and its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company and its subsidiaries under option.

# DIRECTORS' STATEMENT

**Board's Opinion on the Adequacy of Internal Controls Addressing Financial, Operational and Compliance Risks**

The Board, with the concurrence of the Audit Committee, is of the opinion that the internal controls, addressing the financial, operational and compliance risks of the Company, were adequate as at 31 December 2016, to meet the needs of the Group in its current business environment. This is based on the internal controls established and maintained by the Group; the regular reviews performed by management; and the work performed by the internal and external auditors.

The internal audit and the internal controls systems put in place by management provides reasonable assurance against material financial misstatements or loss, reliability, relevance and integrity of information (including financial information), completeness of records, safeguarding of assets, effectiveness and efficiency of operations and compliance with applicable policies, laws and regulations. However, the Board also notes that such assurance cannot be absolute in view of the inherent limitations of any internal audit and internal controls systems against the occurrence of human and system errors, poor judgement in decision-making, losses, fraud or other irregularities.

**Audit Committee**

The members of the Audit Committee during the financial year and at the date of this statement are:

Yam Mow Lam
Choh Thian Chee Irving
Gurbachan Singh

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act and the Listing Manual. Their functions are detailed in the Report on Corporate Governance.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has nominated Baker Tilly TFW LLP for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

**Independent auditor**

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the Directors

**JANET LC TAN**
Director

**TAN LAY YONG JENNY**
Director

23 March 2017

# INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF A-SONIC AEROSPACE LIMITED

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of A-Sonic Aerospace Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 32 to 89, which comprise the balance sheets of the Group and of the Company as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

### *Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Impairment of non-current assets**

(Refer to Notes 3(i), 11 and 12 to the financial statements)

At 31 December 2016, the Company's net carrying amount of investment in logistics subsidiaries was US$14.66 million, and the Group's net carrying amount of property, plant and equipment in its logistics subsidiaries was US$4.91 million. During the financial year ended 31 December 2016, the logistics segment reported at net loss after tax of US$0.80 million. This is an indication that non-current assets may not be recoverable and an allowance for impairment might be required.

The allowance for impairment is considered a matter of significance as it requires the evaluation of management's estimates, including expected future cash flows from the cash-generating units, expected growth rate and a suitable discount rate.

# INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF A-SONIC AEROSPACE LIMITED

**Report on the Audit of the Financial Statements** (Continued)

***Key Audit Matters*** (Continued)

**Impairment of non-current assets** (Continued)
(Refer to Notes 3(i), 11 and 12 to the financial statements)

***How the matter was addressed in our audit***

We assessed management's determination of recoverable amounts based on our understanding of the nature of the Group's business and the economic environment in which the Group operates. We also studied recent market reports to obtain an understanding of the industry's growth rate and outlook.

Our audit procedures focused on the assessment of the key assumptions and estimates used by management in performing the impairment review. These procedures include the following:

– Assessed the reasonableness and supportability of management judgements in financial forecasts by comparing historical forecasts against actual performance,

– Reviewed management's future business strategies and budgeting process, and

– Assessed five-year cash flow projection, discount rate and growth rates which are components that requires significant management judgement in the preparation of the discounted cash flow forecast.

**Valuation of inventories**
(Refer to Notes 3(ii) to the financial statements)

At 31 December 2016, the Group's net carrying amount of inventories of US$4.26 million was carried at the lower of cost and net realisable value. The assessment of net realisable values of inventories requires expertise in the evaluation of aircraft's condition and information on market value based on its current condition. The comparable transaction prices are not readily available and as such the determination of the realisable values is inherently uncertain.

Management is required to assess at the end of each reporting period the existence of any objective evidence through which the Group's inventories may not be stated at the lower of cost and net realisable value. If there are indications, management is required to determine the amount of write down, which require significant judgement.

# INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF A-SONIC AEROSPACE LIMITED

**Report on the Audit of the Financial Statements** (Continued)

***Key Audit Matters*** (Continued)

**Valuation of inventories** (Continued)
(Refer to Notes 3(ii) to the financial statements)

***How the matter was addressed in our audit***

We assessed management's determination of the net realisable value of the inventories based on our understanding of the nature of the Group's business and the economic environment in which the Group operates.

Our audit procedures focused on the assessment of the key assumptions used by management in determining the net realisable value. These procedures include the following:

– Inquired management on the planned business strategies and progress of negotiations with target customers, and

– Reviewed the profile of potential buyers and appraised the offer quotes provided by potential buyers to determine the reliability of management's assessment.

***Other information***

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***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 FRSs, 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.

# INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF A-SONIC AEROSPACE LIMITED

**Report on the Audit of the Financial Statements** (Continued)

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF A-SONIC AEROSPACE LIMITED

**Report on the Audit of the Financial Statements** (Continued)

***Auditor's Responsibilities for the Audit of the Financial Statements*** (Continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In our opinion, 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 Mr Khor Boon Hong.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

23 March 2017

# CONSOLIDATED STATEMENT OF **PROFIT OR LOSS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| | | Group | |
|---|---|---|---|
| | | **2016** | 2015 |
| | **Note** | **US$'000** | US$'000 |
| **Revenue** | | | |
| Turnover | 4 | **184,948** | 198,382 |
| Other income | 5 | **1,364** | 4,257 |
| **Expenses** | | | |
| Changes in inventories | | **79** | (641) |
| Purchases of goods and consumables used | | **(292)** | (1,388) |
| Freight charges | | **(161,916)** | (173,500) |
| Staff costs | 6 | **(18,421)** | (18,433) |
| Depreciation of property, plant and equipment | 11 | **(835)** | (1,156) |
| Finance costs | 7 | **(199)** | (264) |
| Share of results of associated companies | | **247** | 273 |
| Share of results of joint ventures | | **–** | 184 |
| Other operating expenses | | **(7,027)** | (18,210) |
| **Loss before tax** | 8 | **(2,052)** | (10,496) |
| Taxation | 9 | **(265)** | 291 |
| **Loss for the year** | | **(2,317)** | (10,205) |
| **Loss attributable to:** | | | |
| Equity holders of the Company | | **(2,465)** | (9,994) |
| Non-controlling interests | | **148** | (211) |
| **Loss for the year** | | **(2,317)** | (10,205) |
| **Loss per share attributable to equity holders of the Company (cents per share)** | | | |
| Basic | 10 | **(4.22)** | (16.81) |

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| **Loss for the year** | **(2,317)** | (10,205) |
| **Other comprehensive (loss)/income:** | | |
| *Items that are or may be reclassified subsequently to profit or loss:* | | |
| Currency translation differences arising on consolidation | **(134)** | 197 |
| | **(134)** | 197 |
| **Total comprehensive loss for the year** | **(2,451)** | (10,008) |
| **Total comprehensive (loss)/income attributable to:** | | |
| Equity holders of the Company | **(2,512)** | (9,926) |
| Non-controlling interests | **61** | (82) |
| **Total comprehensive loss for the year** | **(2,451)** | (10,008) |

The accompanying notes form an integral part of these financial statements.

# BALANCE **SHEETS**

AT 31 DECEMBER 2016

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2016** | 2015 | **2016** | 2015 |
| | **Note** | **US$'000** | US$'000 | **US$'000** | US$'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | **6,258** | 10,793 | **–** | – |
| Investments in subsidiaries | 12 | **–** | – | **14,663** | # |
| Investments in associated companies | 13 | **416** | 446 | **–** | – |
| Deferred tax assets | 14 | **275** | 414 | **–** | – |
| | | **6,949** | 11,653 | **14,663** | # |
| **Current assets** | | | | | |
| Inventories | | **4,262** | 563 | **–** | – |
| Trade and other receivables | 15 | **34,672** | 29,293 | **7** | 9 |
| Due from subsidiaries | 16 | **–** | – | **10** | 49,480 |
| Due from associated companies | 17 | **436** | 561 | **–** | – |
| Tax recoverable | | **2** | 9 | **–** | – |
| Cash and cash equivalents | 18 | **18,354** | 18,993 | **6,225** | 5,519 |
| | | **57,726** | 49,419 | **6,242** | 55,008 |
| **Total assets** | | **64,675** | 61,072 | **20,905** | 55,008 |
| **Non-current liabilities** | | | | | |
| Finance lease liabilities | 19 | **1,291** | 1,718 | **–** | – |
| **Current liabilities** | | | | | |
| Trade and other payables | 20 | **33,973** | 28,181 | **192** | 204 |
| Due to subsidiaries | 16 | **–** | – | **1,000** | – |
| Bank borrowings | 21 | **3,161** | 2,414 | **968** | 778 |
| Provisions for liabilities | 22 | **579** | 487 | **–** | – |
| Finance lease liabilities | 19 | **516** | 482 | **–** | – |
| Tax payable | | **122** | 36 | **–** | – |
| | | **38,351** | 31,600 | **2,160** | 982 |
| **Total liabilities** | | **39,642** | 33,318 | **2,160** | 982 |
| **Net assets** | | **25,033** | 27,754 | **18,745** | 54,026 |
| **Equity** | | | | | |
| Share capital | 23 | **51,758** | 51,758 | **51,758** | 51,758 |
| Accumulated (losses)/profits | | **(16,820)** | (14,269) | **(33,013)** | 2,268 |
| Foreign currency translation reserve | | **(8,119)** | (8,072) | **–** | – |
| Equity attributable to equity holders of the Company | | **26,819** | 29,417 | **18,745** | 54,026 |
| Non-controlling interests | | **(1,786)** | (1,663) | **–** | – |
| **Total equity** | | **25,033** | 27,754 | **18,745** | 54,026 |

*#: represents amount less than US$1,000*

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| Group | Share capital US$'000 | Accumulated losses US$'000 | Foreign currency translation reserve US$'000 | Equity attributable to equity holders of the Company US$'000 | Non-controlling interests US$'000 | Total equity US$'000 |
|---|---|---|---|---|---|---|
| At 1 January 2016 | 51,758 | (14,269) | (8,072) | 29,417 | (1,663) | 27,754 |
| (Loss)/profit for the year | – | (2,465) | – | (2,465) | 148 | (2,317) |
| ***Other comprehensive loss*** | | | | | | |
| Currency translation differences on consolidation | – | – | (47) | (47) | (87) | (134) |
| Other comprehensive loss for the year | – | – | (47) | (47) | (87) | (134) |
| Total comprehensive (loss)/income for the year | – | (2,465) | (47) | (2,512) | 61 | (2,451) |
| ***Transaction with owners recorded directly in equity*** | | | | | | |
| Write back of unclaimed dividend | – | 1 | – | 1 | – | 1 |
| Cancellation of shares bought back (Note 23) | – | (42) | – | (42) | – | (42) |
| | – | (41) | – | (41) | – | (41) |
| ***Change in ownership interest in subsidiaries*** | | | | | | |
| Acquisition of interest in subsidiaries without change in control | – | (45) | – | (45) | 45 | – |
| Acquisition of subsidiary | – | – | – | – | 111 | 111 |
| Disposal/dissolution of subsidiaries | – | – | – | – | (340) | (340) |
| | – | (45) | – | (45) | (184) | (229) |
| **At 31 December 2016** | **51,758** | **(16,820)** | **(8,119)** | **26,819** | **(1,786)** | **25,033** |

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| Group | Share capital US$'000 | Accumulated losses US$'000 | Foreign currency translation reserve US$'000 | Equity attributable to equity holders of the Company US$'000 | Non-controlling interests US$'000 | Total equity US$'000 |
|---|---|---|---|---|---|---|
| At 1 January 2015 | 51,775 | (3,720) | (8,140) | 39,915 | (1,495) | 38,420 |
| Loss for the year | – | (9,994) | – | (9,994) | (211) | (10,205) |
| ***Other comprehensive income*** | | | | | | |
| Currency translation differences on consolidation | – | – | 68 | 68 | 129 | 197 |
| Other comprehensive income for the year | – | – | 68 | 68 | 129 | 197 |
| Total comprehensive (loss)/income for the year | – | (9,994) | 68 | (9,926) | (82) | (10,008) |
| ***Transaction with owners recorded directly in equity*** | | | | | | |
| Disposal of interest in subsidiaries without change in control | – | – | – | – | 40 | 40 |
| Dividend paid by a subsidiary | – | – | – | – | (126) | (126) |
| Cancellation of shares bought back (Note 23) | (17) | (555) | – | (572) | – | (572) |
| | (17) | (555) | – | (572) | (86) | (658) |
| At 31 December 2015 | 51,758 | (14,269) | (8,072) | 29,417 | (1,663) | 27,754 |

The accompanying notes form an integral part of these financial statements.

# STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| **Company** | **Share capital US$'000** | **Accumulated (losses)/profits US$'000** | **Total US$'000** |
|---|---|---|---|
| At 1 January 2016 | 51,758 | 2,268 | 54,026 |
| Loss and total comprehensive loss for the year | – | (35,240) | (35,240) |
| ***Transaction with owners recorded directly in equity*** | | | |
| Cancellation of shares bought back (Note 23) | – | (42) | (42) |
| Write back of unclaimed dividend | – | 1 | 1 |
| **At 31 December 2016** | **51,758** | **(33,013)** | **18,745** |
| At 1 January 2015 | 51,775 | 9,968 | 61,743 |
| Loss and total comprehensive loss for the year | – | (7,145) | (7,145) |
| ***Transaction with owners recorded directly in equity*** | | | |
| Cancellation of shares bought back (Note 23) | (17) | (555) | (572) |
| At 31 December 2015 | 51,758 | 2,268 | 54,026 |

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| | Note | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | **(2,052)** | (10,496) |
| | | | |
| **Adjustments for:** | | | |
| Interest income | | **(119)** | (145) |
| Finance lease interest income | | **(329)** | (932) |
| Gain on disposal of an associated company | | **–** | (33) |
| Gain on disposal of a joint venture | | **–** | (2,089) |
| Negative goodwill written off | | **(15)** | – |
| Allowance for impairment loss on investments in associated companies | | **–** | 147 |
| Allowance for doubtful non-trade receivables | | **140** | 597 |
| Bad non-trade debts written off | | **17** | – |
| Depreciation of property, plant and equipment | | **835** | 1,156 |
| Impairment of property, plant and equipment | | **–** | 1,366 |
| Interest expenses | | **199** | 264 |
| Inventories written off | | **3** | – |
| Loss on disposal of property, plant and equipment | | **–** | 3 |
| Property, plant and equipment written off | | **141** | 19 |
| Provisions for liabilities | | **90** | – |
| Share of results of associated companies | | **(247)** | (273) |
| Share of results of joint ventures | | **–** | (184) |
| Operating cash flow before working capital changes | | **(1,337)** | (10,600) |
| | | | |
| Inventories | | **79** | 641 |
| Receivables | | **(5,027)** | 15,119 |
| Payables | | **5,771** | (7,925) |
| Finance lease receivables | | **–** | 6,252 |
| Effect of foreign exchange rate changes | | **46** | (423) |
| Cash (used in)/generated from operations | | **(468)** | 3,064 |
| Income tax paid | | **(36)** | (8) |
| **Net cash (used in)/generated from operating activities** | | **(504)** | 3,056 |
| | | | |
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of property, plant and equipment | | **3** | 34 |
| Proceeds from disposal of partial interest in subsidiaries | | **(17)** | 40 |
| Proceeds from disposal of a joint venture | | **–** | 4,593 |
| Proceeds from disposal of an associated company | | **–** | 66 |
| Proceeds from disposal of a subsidiary | 12(d) | **43** | – |
| Acquisition of a subsidiary, net of cash acquired | 12(c) | **(61)** | – |
| Interest received | | **119** | 145 |
| Purchase of shares in an associated company | | **–** | (3) |
| Payment to non-controlling interest upon dissolution of a subsidiary | 12(d) | **(219)** | – |
| Return on investment upon dissolution of joint venture | | **–** | 5 |
| Restricted cash | | **7** | – |
| Dividend received from joint venture | | **–** | 252 |
| Purchase of property, plant and equipment | A | **(93)** | (327) |
| Dividend received from an associated company | | **258** | 315 |
| **Net cash generated from investing activities** | | **40** | 5,120 |

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| | Note | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from bank borrowings | | **3,130** | 1,803 |
| Repayment of bank borrowings | | **(2,277)** | (6,869) |
| Repayment of finance lease liabilities | | **(513)** | (362) |
| Dividend unclaimed by shareholders | | **1** | – |
| Dividend paid to non-controlling interest | | **–** | (126) |
| Shares bought back | 23 | **(42)** | (572) |
| Interest paid | | **(199)** | (264) |
| **Net cash generated from/(used in) financing activities** | | **100** | (6,390) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(364)** | 1,786 |
| Cash and cash equivalents at beginning of financial year | | **18,831** | 16,439 |
| Effect of foreign exchange rate changes | | **(268)** | 606 |
| **Cash and cash equivalents at end of financial year** | B | **18,199** | 18,831 |

Note A

The Group acquired property, plant and equipment with an aggregate cost of US$309,000 (2015: US$2,729,000) of which US$216,000 (2015: US$2,402,000) was financed by means of finance lease.

Note B

At 31 December 2016, fixed deposits held by the Group amounting to US$155,000 (2015: US$162,000) are not available for use.

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1 CORPORATE INFORMATION

The Company (Co. Reg. No. 200301838G) is incorporated and domiciled in Singapore. The address of its registered office is at 10 Anson Road, #24-07 International Plaza, Singapore 079903.

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are described in Note 12.

There have been no significant changes in the nature of these activities during the financial year.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation

The financial statements are presented in United States Dollar and are rounded to the nearest thousand (US$'000) except when otherwise stated. The financial statements have been prepared in accordance with the provisions of the Companies Act and Financial Reporting Standards in Singapore ("FRSs"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amount of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new/revised FRSs and INT FRS did not have any material effect on the financial results or financial position of the Group and the Company.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### a) Basis of preparation (Continued)

New standards, amendments to standards and interpretations that have been issued at the balance sheet date but are not yet effective for the financial year ended 31 December 2016 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company, except as disclosed as follows:

**FRS 115 Revenue from Contracts with Customers**

FRS 115 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in FRS 115 by applying a 5-step approach.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 includes disclosure requirements that will result in disclosure of comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Management is currently assessing the impact of applying the new standard on the Group's financial statements.

The Group plans to adopt the standard when it becomes effective in financial year ending 31 December 2018.

**FRS 109 Financial Instruments**

FRS 109 which replaces FRS 39, includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace FRS 39 incurred loss model.

*(a) Classification and measurement*

While the Group has yet to undertake a detailed assessment of the classification and measurement of its financial assets, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted using amortised cost model under FRS 109.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### a) Basis of preparation (Continued)

**FRS 109 Financial Instruments** (Continued)

*(b) Impairment*

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis.

The Group has not undertaken a detailed assessment of the impact of the impairment provisions under FRS 109 but the Group expects that the new expected loss model may result in an earlier recognition of credit losses.

The Group plans to adopt the standard when it becomes effective in financial year ending 31 December 2018.

**FRS 116 Leases**

FRS 116 replaces the existing FRS 17: *Leases*. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their balance sheets to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. The accounting for lessors will not change significantly.

The standard is effective for annual periods beginning on or after 1 January 2019. The Group will assess the potential impact of FRS 116 and plans to adopt the standard on the required effective date.

*Convergence with International Financial Reporting Standards (IFRS)*

The Accounting Standards Council ("ASC") announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange ("SGX") will be required to apply a new financial reporting framework identical to the International Financial Reporting Standards (full IFRS convergence) in 2018. The Group will adopt the new financial reporting framework on 1 January 2018.

### b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity, and the amount of revenue and related cost can be reliably measured.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### b) Revenue recognition (Continued)

*(i) Sale of goods*

Revenue from sale of goods is recognised when a Group entity has delivered the products to the customer and significant risks and rewards of ownership of the goods have been passed to the customer.

*(ii) Rendering of services*

Revenue from services is recognised during the financial year in which the services are rendered.

*(iii) Commission income*

Commission income is recognised when received as management is not certain whether the economic benefits associated with the transaction will flow to the Group until it is received.

*(iv) Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

*(v) Management fee income*

Management fee income is recognised when services are rendered.

### c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

### d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### d) Basis of consolidation (Continued)

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(f). In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### d) Basis of consolidation (Continued)

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

### e) Associated companies

An associated company is an entity over which the Group has significant influence but not control or joint control, over the financial and operating policies of the entity. Significant influence is presumed to exist generally when the Group holds 20% or more but not exceeding 50% of the voting power of another entity.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting, less impairment losses, if any.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Subsequent to initial recognition, the Group's share of its associated companies post-acquisition profits or losses is recognised in the profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from associated companies are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associated company recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as income in the Group's profit or loss.

Where a group entity transacts with an associated company of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associated company.

Upon loss of significant influence over the associated company, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associated company upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### e) Associated companies (Continued)

If the Group's ownership interest in an associated company is reduced, but the Group continues to apply the equity method, the Group shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's financial statements, investments in associated companies are carried at cost less accumulated impairment loss. On disposal of investment in associated companies, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

### f) Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating units is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or an associated company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of associated companies is described in Note 2(e).

### g) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### g) Property, plant and equipment (Continued)

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

The Company in the course of its ordinary activities, routinely sells items of property, plant and equipment that it holds for rental. Such assets are transferred to inventories at their carrying amount when they cease to be held for rental and become held for sales. The proceeds from the sale of such assets shall be recognised as revenue.

*Depreciation*

No depreciation is provided on freehold land.

Depreciation is calculated on a straight-line basis to write off the depreciable amounts of other property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

| | **Years** |
|---|---|
| Aircrafts | 8-9 |
| Aircraft components | 1-5 |
| Building on freehold land | 20-30 |
| Freehold service apartment | 30 |
| Leasehold office units | 50 |
| Electrical equipment, tools and machinery | 5 |
| Computer equipment | 1-5 |
| Furniture, fixtures and fittings | 3-5 |
| Motor vehicles | 3-10 |

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### h) Impairment of non-financial assets excluding goodwill

At each balance sheet date, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

### i) Inventories

Inventories comprising aircrafts and aircraft parts are stated at the lower of cost and net realisable value. Cost is determined on a specific identification basis. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

### j) Leases

When a Group entity is the lessee:

*Finance leases*

Leases of property, plant and equipment in which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### j) Leases (Continued)

*Operating leases*

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

When a Group entity is the lessor:

*Finance leases*

Leases of property, plant and equipment where the Group entity has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees are classified as finance leases.

Where assets are leased out under a finance lease, the leased asset is derecognised and the present value of the lease payments (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Finance income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

*Operating leases*

Leases where the Group entity retains substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

### k) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable or recoverable in respect of previous years.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### k) Income taxes (Continued)

Deferred income tax is provided using the liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the balance sheet date.

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Deferred taxes are charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

### l) Financial assets

*(i) Classification*

The Group classifies its financial assets according to the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group's only financial assets are loans and receivables.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables" (excluding prepayments), "due from subsidiaries", "due from associated companies", and "cash and cash equivalents" on the balance sheet, except for non-current interest-free receivable from a subsidiary which have been considered to be part of the Company's net investment in the subsidiary and accounted for in accordance with Note 2(c).

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### l) Financial assets (Continued)

*(ii) Recognition and derecognition*

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is also transferred to profit or loss.

*(iii) Initial and subsequent measurement*

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method, less impairment.

*(iv) Impairment*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

*Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are recognised against the same line item in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### m) Financial liabilities

Financial liabilities include in "trade and other payables", "due to subsidiaries", "bank borrowings" and "finance lease liabilities". Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

### n) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the expected amount payable to the holder. Financial guarantees contracts are amortised in profit or loss over the period of the guarantee.

### o) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

The Group recognises the estimated costs of dismantlement, removal or restoration items of property, plant and equipment arising from the acquisition or use of assets (Note 2(g)). This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Changes in the estimated timing or amount of the expenditure or discount rate is adjusted against the cost of the related property, plant and equipment unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### p) Employee benefits

*(i) Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

*(ii) Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

### q) Foreign currencies

*(i) Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The financial statements of the Group and the Company are presented in United States dollar, which is the Company's functional currency.

*(ii) Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### q) Foreign currencies (Continued)

*(iii) Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities are translated at the closing rates at the date of the balance sheet;

(b) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(c) All resulting exchange differences are recognised in the currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associated companies that are foreign operations, the proportionate share of the cumulative exchange differences is reclassified to profit or loss.

### r) Dividends

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### s) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### t) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise bank and cash balances and fixed deposits that form an integral part of the Group's cash management and which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and excludes pledged deposits.

### u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

### v) Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Group and the Company; or

(b) a present obligation that arises from past events but is not recognised because:

- i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

- ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and the Company.

Contingent liabilities and assets are not recognised on the balance sheets of the Group and the Company.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### w) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

## 3 KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

*(i) Impairment of non-current assets*

The Group and the Company assesses whether there are any indicators of impairment for all non-current assets at each reporting date. Non-current assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

When value in use calculations are undertaken, management is required to estimate the expected future cash flows from the asset or cash-generating unit, expected growth rates and a suitable discount rate, in order to determine the present value of those cash flows.

With regards to the assessment of value in use, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the cash-generating unit to exceed its recoverable amount. The carrying amounts of significant non-current assets are property, plant and equipment in the Group (Note 11) and investments in subsidiaries in the Company (Note 12).

*(ii) Valuation of inventories*

Inventories are stated at the lower of cost and net realisable value. Where necessary, write-down is made to adjust the carrying value of inventories to the lower of cost or net realisable value. Significant management judgement is required to determine the amount of write-down to be recognised. The carrying amount of inventories at the balance sheet date was US$4,262,000 (2015: US$563,000).

*(iii) Recoverability of trade and other receivables, and finance lease receivables*

The Group assesses at each balance sheet date whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. The carrying amount of the Group's trade and other receivables at the balance sheet date was US$34,672,000 (2015: US$29,293,000).

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 4 TURNOVER

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| Services rendered | **184,692** | 194,723 |
| Sale of goods | **256** | 2,387 |
| Lease rental | **–** | 1,272 |
| | **184,948** | 198,382 |

## 5 OTHER INCOME

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| Allowance for doubtful trade receivables written back (Note 15a) | **119** | 95 |
| Corporate guarantee charges | | |
| – third parties | **3** | – |
| – joint venture | **–** | 41 |
| Commission income | **5** | 19 |
| Finance lease interest income | **329** | 932 |
| Interest income | | |
| – bank deposits | **71** | 53 |
| – third parties | **29** | 8 |
| – associated companies | **19** | 19 |
| – joint venture | **–** | 65 |
| Management and administrative fees | | |
| – associated companies | **5** | 4 |
| Shared service fee | | |
| – joint venture | **–** | 135 |
| Government grants | **112** | 86 |
| Other miscellaneous income | **657** | 681 |
| Negative goodwill written off | **15** | – |
| Gain on disposal of a joint venture | **–** | 2,089 |
| Gain on disposal of an associated company | **–** | 33 |
| Loss on disposal of property, plant and equipment | **–** | (3) |
| | **1,364** | 4,257 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 6 STAFF COSTS

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| Key management personnel | | |
| *Directors of the Company:* | | |
| – Remuneration and related costs | **955** | 964 |
| – Fees | **118** | 120 |
| – Defined contribution plan | **45** | 44 |
| *Other key management personnel:* | | |
| – Remuneration and related costs | **504** | 1,618 |
| – Defined contribution plan | **–** | 2 |
| *Other staff:* | | |
| – Remuneration and related costs | **15,318** | 14,977 |
| – Defined contribution plan | **1,481** | 708 |
| | **18,421** | 18,433 |

## 7 FINANCE COSTS

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| Interest on bank borrowings | **199** | 264 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 8 LOSS BEFORE TAX

Loss before tax is determined after charging/(crediting) the following:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| Auditors' remuneration | | |
| – Auditor of the Company | | |
| – current year | **96** | 103 |
| – under provision in prior year | **–** | 3 |
| – Other auditors* | | |
| – current year | **118** | 156 |
| Fees for non–audit services paid to: | | |
| – Auditors of the Company | **14** | 12 |
| – Other auditors | **4** | 1 |
| Allowance for doubtful trade receivables – third parties (Note 15a) | **337** | 845 |
| Allowance for doubtful non-trade receivables – third parties (Note 15b) | **1** | 2 |
| Allowance for doubtful non-trade receivables – associated companies (Note 17) | **139** | 595 |
| Allowance for doubtful finance lease receivables (Note 15d) | **329** | 6,092 |
| Allowance for impairment loss on investments in associated companies (Note 13) | **–** | 147 |
| Bad non-trade receivables written off | **17** | – |
| Bad trade receivables written off | **–** | 26 |
| Cost of inventories recognised as an expense | **213** | 2,029 |
| Foreign currency exchange (gain)/loss | **(4)** | 1,181 |
| Impairment of property, plant and equipment (Note 11) | **–** | 1,366 |
| Inventories written down | **79** | 293 |
| Inventories written off | **3** | 274 |
| Property, plant and equipment written off | **141** | 19 |
| Provisions for liabilities (Note 22) | **90** | – |

* Includes independent member firms of the Baker Tilly International network.

## 9 TAXATION

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| Tax expense attributable to loss is made up of: | | |
| Current financial year | | |
| – tax expense | **130** | 78 |
| – foreign tax | **1** | 8 |
| – deferred tax (Note 14) | **(161)** | (265) |
| | **(30)** | (179) |
| Prior financial years | | |
| – under/(over) provision of tax expense | **3** | (71) |
| – under/(over) provision of deferred tax (Note 14) | **292** | (41) |
| | **265** | (291) |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 9 **TAXATION** (CONTINUED)

The income tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rates applicable to loss before tax due to the following factors:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| Loss before tax | **(2,052)** | (10,496) |
| Tax calculated at a tax rate of 17% | **(349)** | (1,784) |
| Effect of different tax rates in other countries | **57** | 46 |
| Expenses not deductible for tax purposes | **303** | 1,166 |
| Income not subject to tax | **(359)** | (777) |
| Deferred tax assets not recognised | **161** | 1,464 |
| Under/(over) provision of tax expense in prior financial years | **3** | (71) |
| Under/(over) provision of deferred tax in prior financial years | **292** | (41) |
| Others | **157** | (294) |
| | **265** | (291) |

***Unrecognised deferred tax assets***

Deferred tax assets have not been recognised in respect of the following items:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| Tax losses and capital allowances carry forward | **3,344** | 3,212 |
| Allowance for doubtful trade receivables and finance lease receivables | **1,092** | 1,063 |
| | **4,436** | 4,275 |

At 31 December 2016, the Group and the Company had unutilised tax losses and unabsorbed capital allowances as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Unutilised tax losses | **18,739** | 18,131 | **388** | – |
| Unutilised capital allowances | **931** | 763 | **–** | – |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 9 TAXATION (CONTINUED)

***Unrecognised deferred tax assets*** (Continued)

These potential tax benefits are available for carry-forward indefinitely to set-off against future taxable income, subject to compliance with relevant provisions of the tax legislation of the respective countries in which the Group operates. The potential deferred tax assets arising from these unutilised losses and unabsorbed capital allowances have not been recognised in the financial statements as it is not probable that future taxable profit will be sufficient to allow the related tax benefits to be realised.

## 10 LOSS PER SHARE

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| Loss after tax attributable to equity holders of the Company (US$'000) | **(2,465)** | (9,994) |

| | Group | |
|---|---|---|
| | **2016** | 2015 (Restated) |
| Weighted average number of ordinary shares in issue for basic earnings per share ('000) | **58,481** | 59,461 |
| Basic loss per share (US cents) | **(4.22)** | (16.81) |

Basic loss per share is calculated by dividing the loss net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The weighted average number of shares used for the calculation of loss per share for the comparative period had been adjusted for the effects of the share consolidation.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 11 PROPERTY, PLANT AND EQUIPMENT

| | Aircrafts US$'000 | Aircraft components US$'000 | Freehold land US$'000 | Building on freehold land US$'000 | Leasehold office units US$'000 | Electrical equipment tools & machinery US$'000 | Computer equipment US$'000 | Furniture, fixtures & fittings US$'000 | Motor vehicles US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | | |
| **2016** | | | | | | | | | | |
| **Cost** | | | | | | | | | | |
| At 1.1.2016 | 5,914 | 780 | 926 | 1,160 | 2,299 | 112 | 2,139 | 2,244 | 5,786 | 21,360 |
| Additions | – | – | – | – | – | 19 | 38 | 15 | 237 | 309 |
| Disposals | – | – | – | – | – | – | (18) | (3) | – | (21) |
| Transfer to inventories | (5,914) | (753) | – | – | – | – | – | – | – | (6,667) |
| Written off | – | – | – | – | – | (12) | (186) | (411) | (92) | (701) |
| Exchange difference | – | – | – | – | (43) | (1) | (34) | (61) | (147) | (286) |
| **At 31.12.2016** | **–** | **27** | **926** | **1,160** | **2,256** | **118** | **1,939** | **1,784** | **5,784** | **13,994** |
| **Accumulated depreciation and impairment losses** | | | | | | | | | | |
| At 1.1.2016 | 2,400 | 514 | – | 166 | 902 | 102 | 1,956 | 1,809 | 2,718 | 10,567 |
| Depreciation charge | – | – | – | 41 | 61 | 9 | 117 | 166 | 441 | 835 |
| Disposals | – | – | – | – | – | – | (15) | (3) | – | (18) |
| Transfer to inventories | (2,400) | (489) | – | – | – | – | – | – | – | (2,889) |
| Written off | – | – | – | – | – | (8) | (185) | (275) | (92) | (560) |
| Exchange difference | – | – | – | – | (31) | – | (30) | (57) | (81) | (199) |
| **At 31.12.2016** | **–** | **25** | **–** | **207** | **932** | **103** | **1,843** | **1,640** | **2,986** | **7,736** |
| **Net carrying value** | | | | | | | | | | |
| **At 31.12.2016** | **–** | **2** | **926** | **953** | **1,324** | **15** | **96** | **144** | **2,798** | **6,258** |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Aircrafts US$'000 | Aircraft components US$'000 | Freehold land US$'000 | Building on freehold land US$'000 | Leasehold office units US$'000 | Electrical equipment tools & machinery US$'000 | Computer equipment US$'000 | Furniture, fixtures & fittings US$'000 | Motor vehicles US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | | |
| **2015** | | | | | | | | | | |
| **Cost** | | | | | | | | | | |
| At 1.1.2015 | 7,170 | 780 | 926 | 1,160 | 2,339 | 106 | 2,180 | 2,248 | 3,807 | 20,716 |
| Additions | – | – | – | – | – | 8 | 85 | 170 | 2,466 | 2,729 |
| Disposals | – | – | – | – | – | – | (26) | (19) | (213) | (258) |
| Transfer to inventories | (1,256) | – | – | – | – | – | – | – | – | (1,256) |
| Written off | – | – | – | – | – | – | – | (25) | – | (25) |
| Exchange difference | – | – | – | – | (40) | (2) | (100) | (130) | (274) | (546) |
| At 31.12.2015 | 5,914 | 780 | 926 | 1,160 | 2,299 | 112 | 2,139 | 2,244 | 5,786 | 21,360 |
| **Accumulated depreciation and impairment losses** | | | | | | | | | | |
| At 1.1.2015 | 855 | 360 | – | 125 | 866 | 100 | 1,946 | 1,726 | 2,682 | 8,660 |
| Depreciation charge | 189 | 154 | – | 41 | 63 | 3 | 123 | 202 | 381 | 1,156 |
| Disposals | – | – | – | – | – | – | (26) | (17) | (177) | (220) |
| Transfer to inventories | (10) | – | – | – | – | – | – | – | – | (10) |
| Impairment | 1,366 | – | – | – | – | – | – | – | – | 1,366 |
| Written off | – | – | – | – | – | – | – | (6) | – | (6) |
| Exchange difference | – | – | – | – | (27) | (1) | (87) | (96) | (168) | (379) |
| At 31.12.2015 | 2,400 | 514 | – | 166 | 902 | 102 | 1,956 | 1,809 | 2,718 | 10,567 |
| **Net carrying value** | | | | | | | | | | |
| At 31.12.2015 | 3,514 | 266 | 926 | 994 | 1,397 | 10 | 183 | 435 | 3,068 | 10,793 |

At the balance sheet date, the net carrying value of motor vehicles of the Group acquired under finance lease agreements amounted to US$2,174,000 (2015: US$2,240,000) (Note 19).

Bank borrowings are secured by the leasehold properties of the Group with a net carrying value of US$1,166,000 (2015: US$1,199,000) (Note 21).

In 2015, a subsidiary carried out a review of the recoverable amount of its aircraft on the basis of their fair value less cost of disposal. The recoverable amount of the aircrafts amounting to US$3,514,000 was determined by management based on prevailing market price of similar aircrafts after making appropriate adjustments for the age and condition of the aircrafts. The fair value measurement is categorised in level 3 of the fair value hierarchy. As a result of the review, an impairment loss of US$1,366,000 was recognised in profit and loss in "other operating expenses" in line item for financial year ended 31 December 2015 and disclosed on Note 8.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 12 INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| Unquoted equity shares, at cost | **10,000** | # |
| Amount due from subsidiary | **4,663** | – |
| | **14,663** | # |

*#: represents amount less than US$1,000*

The amount due from subsidiary is interest-free and has no repayment terms. Management determined that the amount due from subsidiary is quasi-equity in nature and is therefore included in investments in subsidiaries.

### a) Details of subsidiaries:

| Name of company | Principal activities | Country of incorporation and operation | Group's effective equity holding 2016 | 2015 |
|---|---|---|---|---|
| | | | **%** | % |
| ***Held by the Company*** | | | | |
| * A-Sonic Aviation Solutions Pte. Ltd. | Providing retrofit solutions and the supply of aircraft systems and/or aerospace components. | Singapore | **100** | 100 |
| * A-Sonic Logistic Solutions Pte. Ltd. | Investment holding company. | Singapore | **100** | 100 |
| ***Held by A-Sonic Aviation Solutions Pte. Ltd.*** | | | | |
| * SWIFT AirCargo Private Limited | Aircraft ownership and lease/ sales of aircraft. | Singapore | **100** | 100 |
| ***Held by A-Sonic Logistic Solutions Pte. Ltd.*** | | | | |
| * Airocean Group Pte. Ltd. | Regional head office activities and providing services to land transportation. | Singapore | **100** | 100 |
| # A-Sonic SCM Private Limited | Freight forwarding, packing and crating services, business and management consultancy services. | Singapore | **100** | – |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### a) Details of subsidiaries (Continued):

| Name of company | Principal activities | Country of incorporation and operation | Group's effective equity holding 2016 | 2015 |
|---|---|---|---|---|
| | | | **%** | % |
| ***Held by Airocean Group Pte. Ltd.*** | | | | |
| # SCM Pte. Ltd. (Formerly known as A-Sonic SCM Private Limited) | Dormant. | Singapore | **100** | 100 |
| ** Cargoworks (Malaysia) Sdn. Bhd. | Dormant. | Malaysia | **100** | 100 |
| * A-Sonic Cargoplus Private Limited | Transportation and airport ground services. | Singapore | **100** | 100 |
| ** A-Sonic Cargoplus (Malaysia) Sdn. Bhd. | Logistics. | Malaysia | **100** | 100 |
| * A-Sonic Logistics Pte. Ltd.(1) | Logistics. | Singapore | **–** | 100 |
| ***Held by A-Sonic SCM Private Limited*** | | | | |
| * A-Sonic Logistics Pte. Ltd.(1) | Logistics. | Singapore | **100** | – |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### a) Details of subsidiaries (Continued):

| Name of company | Principal activities | Country of incorporation and operation | Group's effective equity holding 2016 | 2015 |
|---|---|---|---|---|
| | | | **%** | % |
| ***Held by A-Sonic Logistics Pte. Ltd.*** | | | | |
| *** A-Sonic Logistics (Korea) Co., Ltd | Logistics. | Korea | **100** | 60 |
| *** Express Customs Clearance (USA), Inc. | Customs clearance. | USA | **100** | 100 |
| # A-Sonic Logistics (Netherlands) B.V. | Logistics. | Netherlands | **100** | 100 |
| # A-Sonic Logistics (Australia) Pty Ltd | Logistics. | Australia | **100** | 80 |
| *** A-Sonic Logistics (Vietnam) Company Limited | Logistics. | Vietnam | **100** | 95 |
| *** A-Sonic Express Logistics (India) Private Limited | Logistics. | India | **80** | 80 |
| ** A-Sonic Logistics (Malaysia) Sdn. Bhd. | Logistics. | Malaysia | **100** | 100 |
| ** A-Sonic Logistics (H.K.) Limited | Logistics. | Hong Kong S.A.R, PRC | **100** | 100 |
| ** A-Sonic Marine (H.K.) Limited | Logistics. | Hong Kong S.A.R, PRC | **100** | 100 |
| *** A-Sonic Logistics (USA), Inc. | Logistics. | USA | **100** | 100 |
| ** A-Sonic Logistics (ROC) Co Ltd | Logistics. | Republic of China | **60** | 60 |
| # A-Sonic (UK) Limited(2) | Logistics. | United Kingdom | **–** | – |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### a) Details of subsidiaries (Continued):

| Name of company | Principal activities | Country of incorporation and operation | Group's effective equity holding 2016 | 2015 |
|---|---|---|---|---|
| | | | **%** | % |
| ***Held by A-Sonic Logistics (H.K.) Limited*** | | | | |
| ** UBI Logistics Limited | Investment holding company. | Hong Kong S.A.R, PRC | **72** | 72 |
| *** A-Sonic Logistics (China) Company Limited | Logistics. | The People's Republic of China ("PRC") | **100** | 100 |
| ***Held by UBI Logistics Limited*** | | | | |
| ** UBI Logistics (China) Limited | Freight forwarding. | The People's Republic of China ("PRC") | **51** | 51 |
| *** UBI (HK) International Limited | Investment holding company. | Hong Kong S.A.R, PRC | **51** | 51 |
| ***Held by UBI (HK) International Limited*** | | | | |
| *** UBI Logistics (HK) Limited | Logistics. | Hong Kong S.A.R, PRC | **51** | 51 |
| *** UBI Logistics (Australia) Pty Ltd | Logistics. | Australia | **38** | 38 |
| # Star Rich Logistics Limited | Struck off. | Hong Kong S.A.R, PRC | **–** | 26 |
| # CALS Logistics, Inc. | Logistics. | Canada | **51** | 51 |
| # Ultra Air Cargo Inc. | Logistics. | USA | **51** | 51 |
| ***Held by CALS Logistics, Inc.*** | | | | |
| # CALS Logistics USA, Inc. | In the process of striking off. | USA | **51** | 51 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### a) Details of subsidiaries (Continued):

*Notes:*

(1) In 2016, in a Group reorganisation exercise, Airocean Group Private Limited transferred its interest in A-Sonic Logistics Pte. Ltd. to A-Sonic SCM Private Limited.

(2) In January 2016, the Group acquired 51% of equity interest in A-Sonic Logistics (UK) Limited and subsequently divested it in November 2016.

# Not required to be audited for the financial year ended 31 December 2016 by law of country of incorporation.

* Audited by Baker Tilly TFW LLP.

** Audited by member firms of Baker Tilly International in their respective countries.

*** Audited by other professional firms as follows:

| Name of subsidiary | Name of auditors |
|---|---|
| A-Sonic Logistics (Korea) Co., Ltd | Samdo Accounting Corp |
| Express Customs Clearance (USA), Inc. | Miu & Co. |
| A-Sonic Logistics (Vietnam) Company Limited | U & I Auditing Company Limited |
| A-Sonic Express Logistics (India) Private Limited | BSM Kumar & Co |
| A-Sonic Logistics (USA), Inc. | Marks Paneth & Shron LLP |
| A-Sonic Logistics (China) Company Limited | Fan, Chan & Co |
| UBI (HK) International Limited | Vision A.S. Limited, CPA |
| UBI Logistics (HK) Limited | Vision A.S. Limited, CPA |
| UBI Logistics (Australia) Pty Ltd | W.L. Browne & Associates |

### b) Summarised financial information of subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries that have NCI that are considered by management to be material to the Group:

| Name of subsidiary | Principal place of business/country of incorporation | Effective ownership interest held by NCI 2016 | 2015 |
|---|---|---|---|
| | | **%** | % |
| UBI Logistics (China) Limited | The People's Republic of China ("PRC") | **49** | 49 |
| UBI Logistics (Australia) Pty Ltd | Australia | **62** | 62 |
| UBI Logistics (HK) Limited | Hong Kong S.A.R, PRC | **49** | 49 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### b) Summarised financial information of subsidiaries with material non-controlling interest ("NCI") (Continued)

The following are the summarised financial information of each of the Group's subsidiaries with NCI that are considered by management to be material to the Group. These financial information include consolidation adjustments but before inter-company eliminations.

*Summarised Balance Sheets*

| | UBI Logistics (China) Limited | | UBI Logistics (Australia) Pty Ltd | | UBI Logistics (HK) Limited | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Non-current assets | **460** | 639 | **223** | 13 | **–** | 318 |
| Current assets | **30,562** | 26,798 | **5,337** | 3,294 | **4,406** | 6,161 |
| Non-current liabilities | **–** | – | **(940)** | (950) | **–** | – |
| Current liabilities | **(28,874)** | (25,087) | **(5,610)** | (3,850) | **(5,783)** | (7,499) |
| **Net assets/(liabilities)** | **2,148** | 2,350 | **(990)** | (1,493) | **(1,377)** | (1,020) |
| **Net assets/(liabilities) attributable to NCI** | **1,053** | 1,152 | **(613)** | (922) | **(675)** | (500) |

*Summarised Income Statements*

| | UBI Logistics (China) Limited | | UBI Logistics (Australia) Pty Ltd | | UBI Logistics (HK) Limited | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Revenue | **100,192** | 109,548 | **29,297** | 22,739 | **8,603** | 8,180 |
| Profit/(loss) before tax | **(9)** | (44) | **284** | 487 | **(31)** | (1,086) |
| Income tax expense | **(43)** | 14 | **218** | – | **(315)** | 144 |
| Profit/(loss) after tax from continuing operations | **(52)** | (30) | **502** | 487 | **(346)** | (942) |
| **Total comprehensive income/(loss)** | **(52)** | (30) | **502** | 487 | **(346)** | (942) |
| **Profit/(loss) allocated to NCI** | **(25)** | (15) | **311** | 301 | **(169)** | (462) |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### b) Summarised financial information of subsidiaries with material non-controlling interest ("NCI") (Continued)

*Summarised Cash Flows*

| | UBI Logistics (China) Limited | | UBI Logistics (Australia) Pty Ltd | | UBI Logistics (HK) Limited | |
|---|---|---|---|---|---|---|
| | **2016 US$'000** | 2015 US$'000 | **2016 US$'000** | 2015 US$'000 | **2016 US$'000** | 2015 US$'000 |
| Cash flows from/ (used in) operating activities | **558** | (337) | **(204)** | 443 | **(771)** | 1,139 |
| Cash flows used in investing activities | **(14)** | (241) | **(4)** | (1) | **–** | – |
| Cash flows from/ (used in) financing activities | **909** | 650 | **–** | – | **(210)** | (210) |
| **Net increase/ (decrease) in cash and cash equivalents** | **1,453** | 72 | **(208)** | 442 | **(981)** | 929 |

### c) Acquisition of a subsidiary

During the financial year, the Group acquired 51% of the issued capital of A-Sonic Logistics (UK) Limited for US$61,000.

Fair values of identifiable assets and liabilities of the subsidiary at acquisition date are as follows:

| | Group US$'000 |
|---|---|
| Cash and cash equivalent | **(39)** |
| Property, plant and equipment | **(5)** |
| Trade and other receivables | **(209)** |
| Total assets | **(253)** |
| Trade and other payables | **27** |
| Tax payables | **–** |
| Total liabilities | **27** |
| Total identifiable net liabilities acquired | **(226)** |
| Less: Non-controlling interest | **111** |
| Net assets acquired | **(115)** |
| Less: Negative goodwill | **15** |
| Cash outflow from acquisition of a subsidiary | **(100)** |
| Less: Cash and cash equivalents | **39** |
| Net cash outflow from acquisition of a subsidiary | **(61)** |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### d) Disposal/liquidation of subsidiaries

The Group disposed of 51% equity interest in A-Sonic Logistics (UK) Limited for US$89,000 and liquidated Star Rich Logistics Limited in November 2016.

Fair values of identifiable assets and liabilities of subsidiaries at disposal and liquidation dates were as follows:

| | US$'000 |
|---|---|
| Cash and cash equivalent | 342 |
| Property, plant and equipment | 3 |
| Trade and other receivables | 173 |
| Total assets | 518 |
| | |
| Trade and other payables | (7) |
| Tax payables | (5) |
| Total liabilities | (12) |
| | |
| Total identifiable net assets disposed | 506 |
| Less: Non-controlling interests | (340) |
| Net assets disposed | 166 |
| Add: Loss from disposal | – |
| Proceeds from disposal | 166 |
| Less: Cash and cash equivalents | (342) |
| Net cash flow from disposal/liquidation of subsidiaries | (176) |

| | US$'000 |
|---|---|
| Represented by: | |
| Proceed from disposal of subsidiary | 43 |
| Payment to non-controlling interest upon dissolution of a subsidiary | (219) |
| | (176) |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 13 INVESTMENTS IN ASSOCIATED COMPANIES

The Group's investment in associated companies are summarised below:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| Carrying amounts: | | |
| Silver Express International Ltd (material to the Group) | **416** | 431 |
| Other associated companies | **139** | 158 |
| | **555** | 589 |
| Less: Accumulated impairment losses | **(139)** | (143) |
| | **416** | 446 |

Movements of allowance for impairment losses are as follows:

| | **US$'000** | US$'000 |
|---|---|---|
| At beginning of financial year | **143** | – |
| Additions (Note 8) | **–** | 147 |
| Exchange difference | **(4)** | (4) |
| At end of financial year | **139** | 143 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 13 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

Details of associated companies are:

| Name of company | Principal activities | Country of incorporation and operation | Group's effective equity holding 2016 | 2015 |
|---|---|---|---|---|
| | | | **%** | % |
| ***Held by A-Sonic Logistics Pte. Ltd.*** | | | | |
| *** A-Sonic Logistics (Thailand) Co., Ltd | Logistics. | Thailand | **49** | 49 |
| # A-Sonic Logistics (Philippines) Inc.[1] | Struck off. | Philippines | **–** | 40 |
| ** A-Sonic Customs Broker Services (Malaysia) Sdn. Bhd. | Freight forwarding and general trading. | Malaysia | **49** | 49 |
| *** A-Sonic Logistics Lanka (Private) Limited. | Freight forwarding and general trading. | Sri Lanka | **40** | 40 |
| ** A-Sonic Logistics Middle East LLC | Freight forwarding and general trading. | United Arab Emirates | **49** | 49 |
| *** Silver Express International Ltd | Ground cargo handling agents. | Hong Kong S.A.R, PRC | **40** | 40 |
| ***Held by UBI (HK) International Limited*** | | | | |
| *** UBI Smart Parcel Limited | Management services. | Hong Kong S.A.R, PRC | **10** | 10 |

*Notes:*

(1) In 2016, A-Sonic Logistics (Philippines) Inc has been voluntarily dissolved by the Group.

# Not required to be audited for the financial year ended 31 December 2016 by law of country of incorporation.

** Audited by member firms of Baker Tilly International in their respective countries.

*** Audited by other professional firms as follows:

| Name of associated companies | Name of auditors |
|---|---|
| Silver Express International Ltd | Deloitte Touche Tohmatsu |
| A-Sonic Logistics (Thailand) Co., Ltd | NC Advanced Consulting Co., Ltd |
| A-Sonic Logistics Lanka (Private) Limited | T&D Associates |
| UBI Smart Parcel Limited | Crowe Horwath (HK) CPA Limited |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 13 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

The activities of the associated companies are strategic to the Group's activities.

Summarised financial information for Silver Express International Ltd based on its FRS financial statements (not adjusted for the Group's share of those amounts) and a reconciliation to the carrying amounts of the investments in the consolidated financial statements are as follows:

| | **2016** | 2015 |
|---|---|---|
| | **US$'000** | US$'000 |
| Revenue | **5,868** | 5,451 |
| Profit after tax from continuing operations | **638** | 737 |
| Total comprehensive income | **638** | 737 |
| Dividend received from an associated company | **258** | 315 |
| Non-current assets | **153** | 90 |
| Current assets | **2,003** | 2,096 |
| Non-current liabilities | **–** | (10) |
| Current liabilities | **(1,117)** | (1,098) |
| **Net assets** | **1,039** | 1,078 |
| Group's share of net assets based on proportion of ownership interest | **416** | 431 |
| **Carrying amount of investment** | **416** | 431 |

Aggregate information about the Group's investments in associated companies that are not individually material are as follows:

| | **2016** | 2015 |
|---|---|---|
| | **US$'000** | US$'000 |
| Profit/(loss) after tax from continuing operations | **33** | (285) |
| Total comprehensive profit/(loss) | **28** | (285) |

The Group has not recognised its share of profit of A-Sonic Customs Broker Services (Malaysia) Sdn. Bhd. and A-Sonic Logistics Middle East LLC amounting to US$26,000 and US$1,000 (2015: losses of US$21,000 and US$66,000) respectively during the year because the Group's cumulative share of losses at the balance sheet date has exceeded its interest in those associated companies and the Group has no obligation in respect of these losses. The Group's cumulative accumulated losses at the balance sheet date in respect of the associated companies not recognised were US$646,000 (2015: US$673,000).

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 14 DEFERRED TAX ASSETS

Movements in deferred tax assets of the Group during the year are as follows:

| | At 1.1.2015 US$'000 | Additions US$'000 | Exchange difference US$'000 | At 31.12.2015 US$'000 | **Reversal US$'000** | **Exchange difference US$'000** | **At 31.12.2016 US$'000** |
|---|---|---|---|---|---|---|---|
| ***Deferred tax assets*** | | | | | | | |
| Unabsorbed tax losses | (130) | (306) | 22 | (414) | **131** | **8** | **(275)** |
| Amount recognised in consolidated statement of profit or loss (Note 9) | | (306) | | | **131** | | |

The Group's provision for deferred tax has been computed based on the corporate tax rate and tax laws prevailing at the reporting date. Deferred tax assets were recognised for certain subsidiaries as management considered it probable that future taxable profits based on the subsidiaries' profit forecast would be available against which they are utilised.

## 15 TRADE AND OTHER RECEIVABLES

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2016 US$'000** | 2015 US$'000 | **2016 US$'000** | 2015 US$'000 |
| Trade receivables | **28,626** | 23,067 | **–** | – |
| Payment of custom duties and freight recoverable from customers | **1,544** | 764 | **–** | – |
| Advance payment to suppliers | **783** | 862 | **–** | – |
| Deposits | **2,135** | 2,914 | **–** | – |
| Prepayments | **859** | 920 | **7** | 9 |
| Other receivables | **725** | 766 | **–** | – |
| Finance lease receivables | **–** | – | **–** | – |
| | **34,672** | 29,293 | **7** | 9 |

a) Trade receivables are stated after making the following allowance for doubtful receivables:

| | **Group** | |
|---|---|---|
| | **2016 US$'000** | 2015 US$'000 |
| At beginning of financial year | **2,511** | 2,874 |
| Additions (Note 8) | **337** | 845 |
| Write back (Note 5) | **(119)** | (95) |
| Bad receivables written off | **(36)** | (435) |
| Reclassification (Note 15b) | **–** | (538) |
| Exchange difference | **(38)** | (140) |
| At end of financial year | **2,655** | 2,511 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 15 TRADE AND OTHER RECEIVABLES (CONTINUED)

b) Other receivables are stated after making the following allowance for doubtful receivables:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| At beginning of financial year | **890** | 372 |
| Additions (Note 8) | **1** | 2 |
| Reclassification (Note 15a) | **–** | 538 |
| Exchange difference | **(7)** | (22) |
| At end of financial year | **884** | 890 |

c) Included in deposits are amounts placed with airlines and agents amounting to US$1,560,000 (2015: US$2,057,000) as security for services rendered.

d) Finance lease receivables

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| Gross receivables | **6,421** | 6,092 |
| Less: Allowance for doubtful receivables | **(6,421)** | (6,092) |
| | **–** | – |

Movements of allowance for doubtful receivables are as follows:

| | **2016** | 2015 |
|---|---|---|
| | **US$'000** | US$'000 |
| At beginning of financial year | **6,092** | – |
| Addition (Note 8) | **329** | 6,092 |
| At end of financial year | **6,421** | 6,092 |

## 16 DUE FROM/(TO) SUBSIDIARIES

Amount due from subsidiaries are stated after making the following allowance for doubtful receivables:

| | Company | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| At beginning of financial year | **33,224** | 25,577 |
| Addition | **–** | 7,647 |
| Amounts waived | **(33,224)** | – |
| At end of financial year | **–** | 33,224 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 16 DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured, interest-free and are repayable on demand.

In 2015, the amounts due from subsidiaries were non-trade in nature, unsecured, interest-free and were repayable on demand except for amounts of US$19,344,000 which bore interest at USD LIBOR plus 1.50% per annum, US$1,000,000 which bore interest USD LIBOR plus 1.35% and US$424,000 bore interest at SGD SIBOR plus 1.50%. The weighted average interest rate as at 31 December 2015 was 1.78% per annum.

## 17 DUE FROM ASSOCIATED COMPANIES

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| Due from: | | |
| Trade | **16** | 4 |
| Non-trade | **1,119** | 1,136 |
| Less: Allowance for doubtful receivables | **(699)** | (579) |
| | **436** | 561 |

Amounts due from associated companies are unsecured, interest free and repayable on demand, except for an amount of non-trade balance US$385,000 (2015: US$395,000) which bears interest rates ranging from 4% to 5% (2015: 4% to 5%) per annum.

Movements of allowance for doubtful receivables are as follows:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| At beginning of financial year | **579** | – |
| Additions (Note 8) | **139** | 595 |
| Exchange difference | **(19)** | (16) |
| At end of financial year | **699** | 579 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 18 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 US$'000** | 2015 US$'000 | **2016 US$'000** | 2015 US$'000 |
| Bank and cash balances | **17,699** | 18,831 | **6,225** | 5,519 |
| Fixed deposits | **655** | 162 | **–** | – |
| | **18,354** | 18,993 | **6,225** | 5,519 |

Bank deposits of the Group amounting to US$11,914,000 (2015: US$6,360,000) and of the Company amounting to US$6,182,000 (2015: US$5,482,000) earn interests at variable rates ranging from 0.05% to 0.978% (2015: 0.06% to 0.747%) per annum, and at 0.978% (2015: 0.747%) per annum respectively.

The fixed deposits of the Group were placed with reputable banks and mature within 12 months from year end with fixed interest rates ranging between 0.10% to 1.08% (2015: 0.15% to 3.00%) per annum.

## 19 FINANCE LEASE LIABILITIES

During the year, the effective interest rate per annum on the finance leases ranges between 2.12% to 3.44% (2015: 2.70% to 3.56%).

Future minimum lease payments under finance lease liabilities together with the present value of the net minimum lease payments are as follows:

| | Minimum lease payments US$'000 | Present value of lease payments US$'000 |
|---|---|---|
| **2016** | | |
| Not more than one year | **560** | **516** |
| Later than one year but not later than five years | **1,339** | **1,291** |
| | **1,899** | **1,807** |
| Less: Future finance charges | **(92)** | **–** |
| Present value of finance lease liabilities | **1,807** | **1,807** |
| The finance lease liabilities are analysed as follows: | | |
| Not more than one year | **516** | |
| Later than one year but not later than five years | **1,291** | |
| | **1,807** | |
| **2015** | | |
| Not more than one year | 537 | 482 |
| Later than one year but not later than five years | 1,800 | 1,718 |
| | 2,337 | 2,200 |
| Less: Future finance charges | (137) | – |
| Present value of finance lease liabilities | 2,200 | 2,200 |
| The finance lease liabilities are analysed as follows: | | |
| Not more than one year | 482 | |
| Later than one year but not later than five years | 1,718 | |
| | 2,200 | |

The net carrying value of motor vehicles acquired under finance lease agreement is disclosed in Note 11.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 20 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Trade payables | **19,183** | 15,822 | **–** | – |
| Other payables | **3,765** | 2,458 | **6** | 6 |
| Accrued operating expenses | **3,101** | 2,824 | **186** | 198 |
| Custom duties and freight received in advance from customers | **4,489** | 2,574 | **–** | – |
| Advance from a director/shareholder of a subsidiary | **3,435** | 4,503 | **–** | – |
| | **33,973** | 28,181 | **192** | 204 |

The advance from a director/shareholder of a subsidiary is unsecured, interest-free and is repayable on demand.

## 21 BANK BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| **Secured** | | | | |
| Money market loans | **1,175** | 354 | **–** | – |
| Revolving loans | **1,986** | 2,060 | **968** | 778 |
| | **3,161** | 2,414 | **968** | 778 |

Money market loans of US$1,175,000 (2015: US$354,000) and revolving loans of US$312,000 (2015: US$527,000) for the Group are covered by corporate guarantee given by the Company.

Money market loans of US$1,175,000 (2015: US$354,000) are also secured by a first deed of debenture incorporating a floating charge over receivables of the logistics services of the Group amounting to US$34,057,000 (2015: US$29,410,000).

Revolving loan of the Group and Company amounting to US$968,000 (2015: US$778,000) is secured on the leasehold property of the Group. Included in the Group's revolving loans is another revolving loan of US$706,000 (2015: US$755,000) which is also secured on the leasehold property of the Group and a personal property of a director of a subsidiary.

The weighted average interest rates per annum for the loans as at year end are as follows:

a) Money market loans – 2.55% (2015: 2.98%)
b) Revolving loans – 4.77% (2015: 5.81%)

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 PROVISIONS FOR LIABILITIES

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| At beginning of financial year | **487** | 521 |
| Additions (Note 8) | **90** | – |
| Exchange difference | **2** | (34) |
| At end of financial year | **579** | 487 |

The provisions for liabilities comprise mainly legal costs and reinstatement costs of leased premises.

## 23 SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | **2016** | | 2015 | |
| | **No. of shares** | **US$'000** | No. of shares | US$'000 |
| Issued and fully paid capital | | | | |
| At beginning of financial year | **175,651,370** | **51,758** | 715,903,629 | 51,775 |
| Less: Share bought back & cancelled before share consolidation | **–** | **–** | (326,300) | (17) |
| Less: Share bought back & cancelled before share consolidation | **(207,500)** | **–** | (499,300) | – |
| Balance before share consolidation | **175,443,870** | **51,758** | 715,078,029 | 51,758 |
| Less: share consolidation | **(116,964,574)** | **–** | (536,309,959) | – |
| Balance after share consolidation | **58,479,296** | **51,758** | 178,768,070 | 51,758 |
| Less: Share bought back & cancelled after share consolidation | **–** | **–** | (3,116,700) | – |
| At end of financial year | **58,479,296** | **51,758** | 175,651,370 | 51,758 |

On 16 May 2016, the Company completed the share consolidation of every three shares into one consolidated share.

During the year 2016, pursuant to the Company's share buyback mandate, the Company bought back and cancelled 207,500 shares (before the Company's share consolidation) for a consideration of US$42,000 made out of profits and the accumulated profits and shares of the Company were reduced correspondingly.

On 13 May 2015, the Company completed the share consolidation of every four shares into one consolidated share.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 23 SHARE CAPITAL (CONTINUED)

During the year 2015, pursuant to the Company's share buyback mandate, the Company bought back and cancelled its shares for a total consideration of US$572,000 accounted as follows:

– 326,300 shares (before the Company's share consolidation) for a consideration of US$17,000 made out of capital and the share capital and the shares of the Company were reduced correspondingly;

– 499,300 shares (before the Company's share consolidation) for a consideration of US$24,000 made out of profits and the accumulated profits and shares of the Company were reduced correspondingly; and

– 3,116,700 shares (after the Company's share consolidation) for a consideration of US$531,000 made out of profits and the accumulated profits and shares of the Company were reduced correspondingly.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

## 24 CONTINGENT LIABILITIES

At the balance sheet date:

a) corporate guarantees issued for bank facilities by the Company to certain of its subsidiaries amounted to US$8,522,000 (2015: US$27,000,000);

b) the Company's bankers' guarantees facility amounting to US$842,000 (2015: US$824,000) were utilised by certain subsidiaries; and

c) the Group's bankers' guarantees facility amounting to US$14,000 (2015: US$231,000) were utilised by a former joint venture company.

## 25 COMMITMENTS

Lease commitments – where the Group is the lessee

Commitments in relation to non-cancellable operating leases for office premises, office equipment and machinery contracted for but not recognised as liabilities, are payable as follows:

| | **Group** | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| Not later than one financial year | **1,354** | 2,510 |
| Later than one financial year but not later than five financial years | **322** | 1,152 |
| More than 5 years | **–** | – |
| | **1,676** | 3,662 |

At the balance sheet date, the leases for rental of office premises, office equipment and machinery have remaining unexpired terms between 4 months to 40 months (2015: 14 months to 52 months). All leases include options for renewal.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 26 DIVIDEND

The directors do not propose any final dividend to be paid for the financial year ended 31 December 2016.

## 27 RELATED PARTIES TRANSACTION

In addition to related party information disclosed elsewhere in the financial statements, the Group had significant transactions with related parties during the financial year on terms mutually agreed by the parties concerned:

| | **2016** | 2015 |
|---|---|---|
| | **US$'000** | US$'000 |
| *With associated companies* | | |
| – Services rendered | **283** | 277 |
| – Interest income | **19** | 19 |
| – Management and administrative fee income | **5** | 4 |
| – Freight charges | **(181)** | (371) |
| *With a joint venture and its related corporations* | | |
| – Services rendered | **–** | 19 |
| – Interest income | **–** | 65 |
| – Sundry income | **–** | 233 |
| – Corporate guarantee charges | **–** | 41 |
| – Dividend income | **–** | 252 |
| – Share of service/IT licence fee income | **–** | 134 |
| – Freight charges | **–** | (87) |

## 28 FINANCIAL INSTRUMENTS

### a) Categories of financial instruments

Financial instruments as at balance sheet date are as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| *Financial assets* | | | | |
| Loans and receivables | **51,801** | 46,950 | **6,235** | 54,999 |
| *Financial liabilities* | | | | |
| Total financial liabilities at amortised cost | **38,577** | 32,433 | **2,160** | 982 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 28 FINANCIAL INSTRUMENTS (CONTINUED)

### b) Financial risk management

The Group and Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk, liquidity risk and market price risk.

The Group and the Company's overall risk management framework is set by the Board of Directors of the Company which sets out the Group and the Company's overall business strategies and its risk management philosophy. The Group and the Company's overall risk management strategy seeks to minimise potential adverse effects from these financial risks on the Group's financial performance.

*(i) Foreign exchange risk*

The Group and Company do not have significant foreign exchange risk exposures arising from sales, purchases and borrowings that are denominated in currency other than the respective functional currencies of Group entities.

*(ii) Interest rate risk*

The Group's exposure to changes in interest rate risk arises primarily from the Group's debt obligations disclosed in Note 21. The Group maintains its borrowings in both variable and fixed rate instruments depending on which terms are more favourable to the Group. The Group manages its interest rate risk on its interest income by placing the surplus funds in fixed deposits of varying maturities and interest rate terms.

An increase or decrease in interest rates by 50 basis points for variable rate borrowings is not expected to have a significant impact on the Group's profit after tax.

*(iii) Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has credit policies in place to ensure that sale of products are made to customers with appropriate credit histories and the exposure to credit risk is monitored on an ongoing basis by the directors. Credit evaluations are performed on all customers requiring credit extension or credit limit.

The maximum exposure to credit risk is the carrying amounts of trade and other receivables, finance lease receivables and amounts due from associated companies and deposits placed with banks as presented on the balance sheet. The charge on the lessee's leased assets as collateral for finance lease receivables is prudently assumed not to mitigate credit risk significantly because of the nature of the assets sold which comprise aircrafts and aircraft engines. Deposits are placed with reputable banks.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 28 FINANCIAL INSTRUMENTS (CONTINUED)

### b) Financial risk management (Continued)

*(iii)* *Credit risk* (Continued)

The credit risk concentration profile of the Group's trade receivables based on the information provided by key management is as follows:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| *By geographical areas* | | |
| Asia | **22,843** | 19,224 |
| Others | **5,783** | 3,843 |
| | **28,626** | 23,067 |

There are no significant concentrations of credit risks other than amounts due from associated companies (Note 17).

Financial assets that are neither past due nor impaired

The Group's trade receivables that are neither past due nor impaired include amounts of US$15,337,000 (2015: US$12,963,000). These receivables are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with reputable banks.

Financial assets that are past due but not impaired

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| Past due 0 to two months | **12,404** | 9,144 |
| Past due two to four months | **884** | 732 |
| Past due over four months | **1** | 228 |
| Total | **13,289** | 10,104 |

Financial assets that are past due and impaired

Allowances for doubtful receivables had been made for debts that are past due and impaired in trade and other receivables (Note 15) and amounts due from associated companies (Note 17).

The Company does not have any significant credit risk exposure other than the amounts due from subsidiaries as disclosed in Note 16.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 28 FINANCIAL INSTRUMENTS (CONTINUED)

### b) Financial risk management (Continued)

*(iv) Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company manage the liquidity risk by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group and the Company ensure the availability of bank credit lines to address any short term funding requirements.

The table below summarises the maturity profile of the Group and the Company's financial liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

| | Within 1 year US$'000 | Within 2 to 5 years US$'000 | Total US$'000 |
|---|---|---|---|
| **Group** | | | |
| **2016** | | | |
| *Financial liabilities* | | | |
| Trade and other payables | **33,608** | **–** | **33,608** |
| Finance lease liabilities | **560** | **1,339** | **1,899** |
| Bank borrowings | **3,286** | **–** | **3,286** |
| 2015 | | | |
| *Financial liabilities* | | | |
| Trade and other payables | 27,820 | – | 27,820 |
| Finance lease liabilities | 537 | 1,800 | 2,337 |
| Bank borrowings | 2,544 | – | 2,544 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 28 FINANCIAL INSTRUMENTS (CONTINUED)

### b) Financial risk management (Continued)

(iv) *Liquidity risk* (Continued)

| | Within 1 year US$'000 | Within 2 to 5 years US$'000 | Total US$'000 |
|---|---|---|---|
| **Company** | | | |
| **2016** | | | |
| *Financial liabilities* | | | |
| Trade and other payables | **192** | **–** | **192** |
| Bank borrowings | **988** | **–** | **988** |
| Due to subsidiaries | **1,000** | **–** | **1,000** |
| 2015 | | | |
| *Financial liabilities* | | | |
| Trade and other payables | 204 | – | 204 |
| Bank borrowings | 796 | – | 796 |

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantees could be called.

| | Group One year or less | | Company One year or less | |
|---|---|---|---|---|
| | **2016 US$'000** | 2015 US$'000 | **2016 US$'000** | 2015 US$'000 |
| Financial guarantee contracts | **14** | 231 | **9,364** | 27,824 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 29 FAIR VALUE OF ASSETS AND LIABILITIES

a) *Fair value hierarchy*

The tables below analyse the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

b) *Financial instruments that are carried at fair value*

The Group does not have any Level 1, Level 2 or Level 3 financial assets or liabilities.

c) *Financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

The carrying amounts of the financial assets and financial liabilities recorded in the financial statements of the Group and the Company approximate their fair values due to the relatively short-term maturity of these financial instruments.

The Group and Company have no other financial instruments.

## 30 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares, adjust the amount of dividend payment and return capital to the shareholders. The directors of the Company consider that the capital structure of the Group and the Company comprises only of share capital and reserves. The Group's overall strategy remains unchanged from 2015.

## 31 SEGMENT INFORMATION

For management purpose, the Group is organised into 2 business segments based on their products and services as follows:

i) Aviation
ii) Logistics

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment of each segment. Sales between operating segments are at arm's-length basis in a manner similar to transactions with third parties. Reportable segments' turnover, profit/(loss) before tax, interest income and finance costs are measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income. The amounts provided to the management with respect to reportable segments' assets and liabilities are measured in a manner consistent with that of the financial statements.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 31 SEGMENT INFORMATION (CONTINUED)

### Business segments – Group

The segment information provided to management for the reportable segments are as follows:

| | Aviation | | Logistics | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Turnover from reportable segments | **256** | 2,389 | **184,692** | 195,993 | **184,948** | 198,382 |
| Interest income | **48** | 30 | **71** | 115 | **119** | 145 |
| Finance lease interest income | **329** | 932 | **–** | – | **329** | 932 |
| Finance costs | **(24)** | (45) | **(175)** | (219) | **(199)** | (264) |
| Depreciation of property, plant and equipment | **(108)** | (453) | **(727)** | (703) | **(835)** | (1,156) |
| Share of results of associated companies | **–** | – | **247** | 273 | **247** | 273 |
| Taxation income/(expense) | **–** | 5 | **(265)** | 286 | **(265)** | 291 |
| Reportable segment loss | **(1,518)** | (8,717) | **(799)** | (1,488) | **(2,317)** | (10,205) |
| *Other material non-cash items* | | | | | | |
| Allowance for doubtful trade receivables | **–** | 164 | **337** | 681 | **337** | 845 |
| Allowance for doubtful trade receivables written back | **–** | – | **(119)** | (95) | **(119)** | (95) |
| Inventories written down | **79** | 293 | **–** | – | **79** | 293 |
| Allowance for doubtful non-trade receivables | **–** | – | **140** | 597 | **140** | 597 |
| Allowance for doubtful finance lease receivables | **329** | 6,092 | **–** | – | **329** | 6,092 |
| Allowance for impairment loss in an associated company | **–** | – | **–** | 147 | **–** | 147 |
| Bad non-trade receivables written off | **–** | – | **17** | – | **17** | – |
| Gain on disposal of a joint venture | **–** | – | **–** | (2,089) | **–** | (2,089) |
| Gain on disposal of an associated company | **–** | – | **–** | (33) | **–** | (33) |
| Inventory written off | **3** | 274 | **–** | – | **3** | 274 |
| Impairment of property, plant and equipment | **–** | 1,366 | **–** | – | **–** | 1,366 |
| Property, plant and equipment written off | **–** | – | **141** | 19 | **141** | 19 |
| Provision for liabilities | **–** | – | **90** | – | **90** | – |
| **Segment assets** | **12,790** | 12,399 | **51,885** | 48,673 | **64,675** | 61,072 |
| *Expenditure in non-current assets* | | | | | | |
| Property, plant and equipment | **–** | 3 | **309** | 2,726 | **309** | 2,729 |
| Investments in associated companies | **–** | – | **–** | 3 | **–** | 3 |
| **Segment liabilities** | **2,659** | 1,174 | **36,983** | 32,144 | **39,642** | 33,318 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 31 SEGMENT INFORMATION (CONTINUED)

### Geographical information – Group

Revenue information is derived based on the country of domicile of the member entities of the Group, whereas non-current assets information is based on the geographical location of the assets.

The geographical information derived using the above basis is as follows:

| | Turnover for reportable segments | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| The People's Republic of China (including Hong Kong S.A.R) | **112,642** | 123,027 |
| Australia | **29,936** | 23,808 |
| USA | **19,617** | 25,175 |
| Other countries | **22,753** | 26,372 |
| | **184,948** | 198,382 |

| | Non-current assets for reportable segments | |
|---|---|---|
| | **2016** | 2015 |
| | **US$'000** | US$'000 |
| Singapore | **3,650** | 4,184 |
| USA | **1,885** | 3,194 |
| Romania | **2** | 2,517 |
| Other countries | **1,137** | 1,344 |
| | **6,674** | 11,239 |

Non-current assets information presented above are non-current assets as presented on the consolidated balance sheet excluding deferred tax assets.

### Information about major customer

There was no single external customer that had contributed more than 10 percent to the revenue of the Group for the financial years 2016 and 2015.

## 32 AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors dated 23 March 2017.

# ANALYSIS OF **SHAREHOLDINGS**

AS AT 15 MARCH 2017

## SHARE CAPITAL

| | | |
|---|---|---|
| Issued and Fully Paid-Up Capital | : | S$72,451,650.41 |
| Class of shares | : | Ordinary shares |
| Voting rights | : | On poll – 1 vote for each ordinary share |

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares | % of Issued Share Capital |
|---|---|---|---|---|
| 1 – 99 | 1,173 | 19.93 | 56,614 | 0.10 |
| 100 – 1,000 | 2,374 | 40.33 | 1,159,055 | 1.98 |
| 1,001 – 10,000 | 1,987 | 33.75 | 6,850,107 | 11.72 |
| 10,001 – 1,000,000 | 350 | 5.94 | 14,784,919 | 25.28 |
| 1,000,001 and above | 3 | 0.05 | 35,628,601 | 60.92 |
| **TOTAL** | **5,887** | **100.00** | **58,479,296** | **100.00** |

## PUBLIC FLOAT

The Company has complied with Rule 723 of the Listing Manual issued by SGX-ST. As at 15 March 2017, approximately 44.00% of the Company's ordinary shares listed on the SGX-ST were held in the hands of the public.

# ANALYSIS OF **SHAREHOLDINGS**

AS AT 15 MARCH 2017

## TWENTY LARGEST SHAREHOLDERS

| No. | Name of Shareholder | No. of Shares | % of Issued Share Capital |
|---|---|---|---|
| 1 | JANET LC TAN | 30,879,164 | 52.80 |
| 2 | DBS NOMINEES PTE LTD | 2,409,517 | 4.12 |
| 3 | CITIBANK NOMINEES SINGAPORE PTE LTD | 2,339,920 | 4.00 |
| 4 | MAYBANK KIM ENG SECURITIES PTE LTD | 902,320 | 1.54 |
| 5 | UOB KAY HIAN PTE LTD | 804,826 | 1.38 |
| 6 | UNITED OVERSEAS BANK NOMINEES PTE LTD | 539,850 | 0.92 |
| 7 | IRENE TAY GEK LIM | 482,800 | 0.83 |
| 8 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 420,998 | 0.72 |
| 9 | OCBC SECURITIES PRIVATE LTD | 388,108 | 0.67 |
| 10 | STERLING AIR PRIVATE LIMITED | 319,833 | 0.55 |
| 11 | RAFFLES NOMINEES (PTE) LTD | 265,024 | 0.45 |
| 12 | KOH PECK HOON | 259,170 | 0.44 |
| 13 | PHILLIP SECURITIES PTE LTD | 224,815 | 0.39 |
| 14 | OCBC NOMINEES SINGAPORE PTE LTD | 215,762 | 0.37 |
| 15 | CHIAN SHIAN ANN @ CHIAM YEOW ANN | 205,958 | 0.35 |
| 16 | NG SER MIANG | 176,545 | 0.30 |
| 17 | TEO CHOR KOK | 141,666 | 0.24 |
| 18 | RAJENDRAM SO C MAHALINGAM | 139,000 | 0.24 |
| 19 | NG CHZE KEONG RICHARD | 130,117 | 0.22 |
| 20 | CHEW THYE CHUAN | 121,783 | 0.21 |
| | **TOTAL** | **41,367,176** | **70.74** |

## SUBSTANTIAL SHAREHOLDER

| | Direct interest | | Deemed interest | | Total | |
|---|---|---|---|---|---|---|
| Name of shareholder | No. of shares | % | No. of shares | % | No. of shares | % |
| JANET LC TAN | 30,879,164 | 52.80 | 319,833 | 0.55 | 31,198,997 | 53.35 |

# NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at 168 Robinson Road, Capital Tower, Level 9 FTSE Room, Singapore 068912 on Friday, 28 April 2017 at 3.00 p.m. to transact the following business:–

**Ordinary Business**

1 To receive and adopt the financial statements of the Company for the year ended 31 December 2016 together with the directors' statement and auditors' report thereon.

2 To approve directors' fees of S$170,000.00 for the financial year ended 31 December 2016 (2015: S$170,000.00).

3(a) To re-elect Ms Janet LC Tan, a Director who will retire by rotation pursuant to Article 91 of the Constitution of the Company and who, being eligible, will offer herself for re-election.

3(b) To re-elect Mr Yam Mow Lam, a Director who will retire by rotation pursuant to Article 91 of the Constitution of the Company and who, being eligible, will offer himself for re-election. *[See Explanatory Note (a)]*

3(c) To re-elect Mr Gurbachan Singh, a Director who will retire by rotation pursuant to Article 97 of the Constitution of the Company and who, being eligible, will offer himself for re-election. *[See Explanatory Note (b)]*

4 To re-appoint Baker Tilly TFW LLP as auditors of the Company and to authorise the directors to fix their remuneration.

**Special Business**

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions, with or without any modifications:–

5 That pursuant to Section 161 of the Companies Act, Cap. 50 ("Companies Act") and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to allot and issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, PROVIDED THAT:–

(i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution does not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company as at the date of the passing of this resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company as at the date of the passing of this resolution;

(ii) for the purpose of this resolution, the issued share capital shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this resolution is passed (after adjusting for new shares arising from the conversion or exercise of convertible securities or share options outstanding or subsisting at the time this resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares); and

# NOTICE OF **ANNUAL GENERAL MEETING**

(iii) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier. *[See Explanatory Note (c)]*

6 That:

(a) for the purposes of the Companies Act, the exercise by the directors of the Company ("Directors") of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary shares in the capital of the Company ("Shares") not exceeding in aggregate the Maximum Limit (as defined herein), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as defined herein), whether by way of:

(i) market purchase(s) ("Market Purchase") on the SGX-ST; and/or

(ii) off-market purchase(s) ("Off-Market Purchase") in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

(b) unless varied or revoked by the shareholders of the Company (the "Shareholders") in a general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next AGM of the Company is held or required by law to be held; or

(ii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting; or

(iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding,

(i) in the case of a Market Purchase, 105% of the Average Closing Market Price; and

(ii) in the case of an Off-Market Purchase, pursuant to an equal access scheme, 120% of the Highest Last Dealt Price;

# NOTICE OF **ANNUAL GENERAL MEETING**

"Maximum Limit" means the number of issued Shares representing 10% of the total number of issued Shares of the Company as at the date of the passing of this Resolution;

"Average Closing Market Price" means the average of the closing market prices of the Shares over the last five Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

"Highest Last Dealt Price" means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the day of making of the offer pursuant to the Off-Market Purchase;

"day of making of the offer" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"Market Day" means a day on which the SGX-ST is open for trading of securities.

(d) any Director be and is hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution. *[See Explanatory Note (d)]*

7 To transact any other business which may properly be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

LOO KEAT CHOON / GRACE CP CHAN
COMPANY SECRETARIES

Singapore,
12 April 2017

# NOTICE OF **ANNUAL GENERAL MEETING**

**Proxies:–**

1 (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

2 A proxy need not be a member of the Company.

3 The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Anson Road #24-07 International Plaza Singapore 079903 not less than 48 hours before the time appointed for holding the meeting.

**Explanatory Notes:–**

(a) Yam Mow Lam, if re-elected as a Director, will remain as the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee and will be considered as an Independent Director.

(b) Gurbachan Singh, if re-elected as a Director, will remain as a member of the Audit Committee and Remuneration Committee and will be considered as an Independent Director.

(c) The ordinary resolution set out in item 5 above, if passed, will empower the Directors from the date of the above meeting until the date of the next annual general meeting, to issue shares and convertible securities in the Company. The number of shares and convertible securities which the Directors may issue under this resolution would not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this resolution is passed. For issues of shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this resolution is passed.

(d) The ordinary resolution in item 6 is to renew the Share-Buy Back Mandate which was originally approved by shareholders on 26 January 2015 and last renewed at the Annual General Meeting of the Company on 28 April 2016. Please refer to the letter dated 12 April 2017 to this Notice of Annual General Meeting for details.

**PERSONAL DATA PRIVACY:**

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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# A-SONIC AEROSPACE LIMITED

(Incorporated In The Republic Of Singapore)
Company Registration No. 200301838G

# PROXY FORM

**IMPORTANT**

1 Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the annual general meeting.

2 For CPF/SRS investors who have used their CPF monies to buy shares in A-Sonic Aerospace Limited, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.

I/We ______________________________ NRIC/Passport/Co. Reg. No. ______________

of ______________________________________________

being a member/members of A-Sonic Aerospace Limited hereby appoint:

| Name | Address | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|---|
| | | | No. of Shares | % |
| | | | | |

and/or (delete as appropriate)

| Name | Address | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|---|
| | | | No. of Shares | % |
| | | | | |

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the annual general meeting of the Company to be held at 168 Robinson Road, Capital Tower, Level 9 FTSE Room, Singapore 068912 on Friday, 28 April 2017 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the annual general meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they may on any other matter arising at the annual general meeting.

| No. | Resolutions | No. of Votes For* | No. of Votes Against* |
|---|---|---|---|
| **Ordinary Business** | | | |
| 1 | To receive and adopt the financial statements of the Company for the year ended 31 December 2016 together with the directors' statement and auditors' report thereon | | |
| 2 | To approve directors' fees | | |
| 3(a) | To re-elect Ms Janet LC Tan as director | | |
| 3(b) | To re-elect Mr Yam Mow Lam as director | | |
| 3(c) | To re-elect Mr Gurbachan Singh as director | | |
| 4 | To re-appoint Baker Tilly TFW LLP as auditors and to authorise the directors to fix their remuneration | | |
| **Special Business** | | | |
| 5 | To authorise the directors to allot and issue shares pursuant to Section 161 of the Companies Act, Cap. 50 | | |
| 6 | To approve the proposed renewal of the Share Buyback Mandate | | |

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (√) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.

Dated this __________ day of ________________ 2017

| Total Number of Ordinary Shares Held |
|---|
| |

_______________________________________
Signature(s) of Member(s) or Common Seal of Corporate Member(s)

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

## NOTES TO PROXY FORM

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If the number of shares is not inserted, this form of proxy will be deemed to relate to all the shares held by the member.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50 ("Companies Act").

3 A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Anson Road #24-07, International Plaza, Singapore 079903 not less than 48 hours before the time appointed for holding the meeting.

5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer of the corporation.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act.

9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

## PERSONAL DATA PRIVACY:

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

A-Sonic
aerospace

**A-SONIC AEROSPACE LIMITED**
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