A-SONIC AEROSPACE LIMITED
Regn. No. 200301838G

# RESPONSE TO SGX QUERIES

The Board of Directors of A-Sonic Aerospace Limited (the "Company") wishes to announce that Singapore Exchange Securities Trading Limited ("SGX") raised the following queries on 15 May 2019 in relation to the first quarter financial statements ended 31 March 2019 ("1Q 2019") of the Company and its subsidiaries:

a) SGX Query

"Please provide the aging of the Group's trade receivables and the Board's assessment on the recoverability of the Group's trade receivables and the bases for such an assessment."

*Company's response*

The Group's total "Trade and other receivables" amounted to US$27.814 million as at 31 March 2019, comprising "trade receivables" of US$22.074 million and "other receivables" of US$5.740 million. The aging analysis of the "trade receivables" of US$22.074 million was as follow:

*Aging of trade receivables*

| | *As at 31 March 2019 US$'000* |
|---|---|
| *Not past due* | *13,769* |
| *Past due 0 to 2 months* | *7,397* |
| *Past due 2 to 4 months* | *1,104* |
| *Past due over 4 months* | *(196)* |
| *Trade receivables* | *22,074* |

*In assessing the recoverability of the Group's "trade receivables", the Group considered both quantitative and qualitative information that was reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook that was available without undue cost or effort.*

*In particular, the Group considered the following information in assessing whether the credit risk of each customer had increased: (i) financial condition of each customer; (ii) the credit rating of each customer if available; (iii) payment history; (iv) existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; (v) actual or expected significant deterioration in the operating results/key financial performance ratios of the debtors; (vi) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in a customer's ability to meet its debt obligations.*

*The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.*

*Based on the above criteria, the Board is of the view that the Group's "trade receivables" as at 31 March 2019 would be recoverable.*

b) SGX Query

"Please provide a breakdown of "Trade and other payables" and provide an explanation for the material variances in each of the line items included in the breakdown of "Trade and other payables"."

*Company's response*

*Breakdown of Trade and other payables*

| | *Group* | |
|---|---|---|
| | *As at 31 March 2019 US$'000* | *As at 31 December 2018 US$'000* |
| *Trade payables* | *13,274* | *22,121* |
| *Other payables* | *4,017* | *2,944* |
| *Accrued operating expenses* | *2,946* | *3,675* |
| *Custom duties and freight received in advance from customers* | *9,949* | *13,623* |
| *Advance from a director/shareholder of a subsidiary* | *998* | *1,057* |
| *Total* | *31,184* | *43,420* |

*"Trade and other payables" declined US$12.236 million from US$43.420 million as at 31 December 2018 to US$31.184 million as at 31 March 2019, primarily due to:*

*(i) Lower "Trade payables" of US$8.847 million from US$22.121 million as at 31 December 2018 to US$13.274 million as at 31 March 2019. "Trade payables" as at 31 March 2019 ("1Q 2019") declined after the peak season of fourth quarter of financial year ended 2018 ("4Q 2018") as result of payments received from customers.*

*The lower "Trade payables" as at 1Q 2019 compared to 4Q 2018, was in line with lower monthly average sales in 1Q 2019 compared to 4Q 2018. The lower sales activity in 1Q 2019 was due to lower business volume after Thanksgiving, Christmas and New Year, that occurred in the 4Q 2018;*

*(ii) The decrease of US$3.674 million in "Custom duties and freight received in advance from customers" from US$13.623 million as at 4Q 2018 to US$9.949 million as at 1Q 2019, was largely due to lower sales activity in 1Q 2019 due to lower business volume after the peak season in 4Q 2018; and*

*(iii) The decrease of US$0.729 million in "Accrued operating expenses" from US$3.675 million as at 4Q 2018 to US$2.946 million as at 1Q 2019. The reduction was in line with lower sales activity in 1Q 2019 after the peak season in 4Q 2018 as elaborated in sub-paragraph (i) above.*

ISSUED BY ORDER OF THE BOARD

Loo Keat Choon
Joint Company Secretary
17 May 2019