A-Sonic aerospace

2019

ANNUAL REPORT

CONTENTS

OUR **MISSION**

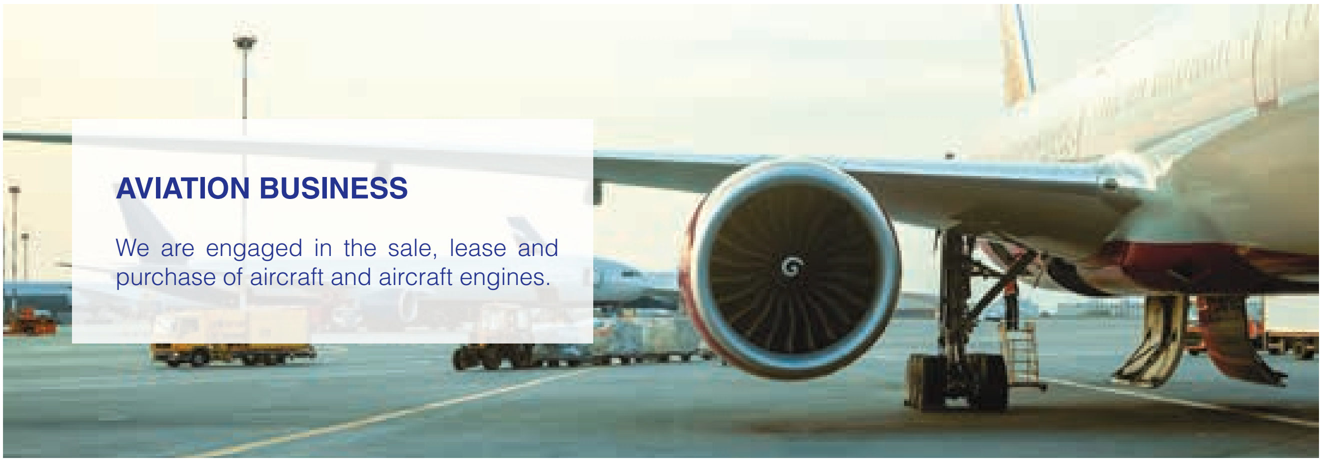
An integrated team in diverse markets working to provide ***SEAMLESS AVIATION*** & ***LOGISTIC SOLUTIONS***

CORPORATE **PROFILE**

A-Sonic aerospace

OUR BUSINESS AND OPERATIONS

The A-Sonic Group is engaged in two areas of businesses, aviation and logistics. We currently operate in 29 cities in 16 countries, spanning four (4) continents in Asia, North America, Sub-Continent India, and Europe.



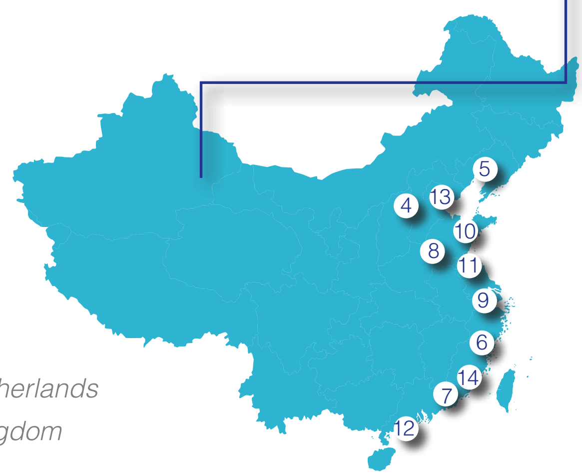
AVIATION BUSINESS

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**



01 *Singapore*
02 *Sydney, Australia*
03 *Toronto, Canada*
04 *Beijing, PRC*
05 *Dalian, PRC*
06 *Fuzhou, PRC*
07 *Guangzhou, PRC*
08 *Nanjing, PRC*
09 *Ningbo, PRC*
10 *Qingdao, PRC*
11 *Shanghai, PRC*
12 *Shenzhen, PRC*
13 *Tianjin, PRC*
14 *Xiamen, PRC*
15 *Hong Kong*
16 *Bangalore, India*
17 *Seoul, Korea*
18 *Kuala Lumpur, Malaysia*
19 *Johor Bahru, Malaysia*
20 *Penang, Malaysia*
21 *Rotterdam, The Netherlands*
22 *London, United Kingdom*
23 *Taipei, Taiwan*
24 *Colombo, Sri Lanka*
25 *Bangkok, Thailand*
26 *Dubai, UAE*
27 *Los Angeles, USA*
28 *New York, USA*
29 *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)

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

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SHARE REGISTRAR

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Fax: +65 6225 1452

AUDITORS

Baker Tilly TFW LLP
Chartered Accountants of Singapore
600 North Bridge Road
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Singapore 188778
Tel: +65 6336 2828

Partner-in-charge:
Ms Tiang Yii
(with effect from financial year ended
31 December 2018)

PRINCIPAL BANKERS

United Overseas Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank Ltd

CEO'S **MESSAGE**

> We have initiated to implement technology to make our group network more efficient, more flexible, more resilient and more anticipatory. We aim to capture opportunities and increase productivity of our resources through ***digital technology*** and ***automation***.

Dear Fellow Shareowners

In many aspects, 2019 year was a challenging year. The global macro-economics and geo-political environment were fraught with continuous news of trade war and risk of global economic downturn. Despite this backdrop, our business performance ended on a positive note.

Our consolidated "Profit Before Tax" was US$3.481 million in financial year ("FY") 2019, an increase of 3.29 times (or 328.7%) compared to US$0.812 million in FY 2018.

"Profit Attributable to Equity Shareholders of Parent Company" was US$2.533 million in FY 2019, up US$1.052 million or 71.0%, from US$1.481 million in FY 2018.

Our consolidated "Net Tangible Assets (Excluding Non-Controlling Interest)" or "Net Book Value" stood at US$29.821 million (or equivalent to S$40.160 million) as at 31 December 2019.

We stayed focus in 2019, and centred our efforts on two over-arching strategies:

(i) First, to build strength-on-strength to execute our enterprise initiative, that each network office must operate efficiently, effectively and productively; and

(ii) Second, to stretch ourselves beyond, and leverage on qualitative sources of growth with investments in technology and business productivity.

In FY 2019, we streamlined our logistics business unit to further solidify our foundation. And we further improved our performance. Our logistics "Profit Before Tax" improved to US$3.350 million. We achieved "Profit Attributable to Equity Shareholders of Parent Company" of US$2.436 million in FY 2019, compared to US$0.213 million in FY 2018.

Our aviation business unit encountered headwind, resulting in lower "Profit Before Tax" of US$0.131 million in FY 2019, compared to US$1.317 million in FY 2018.

We have a Herculean task ahead in this 2020 year. To achieve progress in a rapidly changing global market in 2020 and beyond - requires us to think, and do things differently. It demands change - willingness to embrace the changes; and the agility to manage our respond to external forces.

With that in mind, we have initiated strategic initiatives to better position ourselves for structural shifts in the market. We have initiated to implement technology to make our group network more efficient, more flexible, more resilient and more anticipatory. We aim to capture opportunities and increase productivity of our resources through digital technology and automation.

Our planned transformation is designed to achieve three objectives. Firstly, drive efficiencies and cost reductions that will improve our margins. Secondly, extend our existing business. Thirdly, further develop our resources as we foster a culture of innovation within our group.

The path will not be easy. These investments are long-term in nature, and may not bear fruits immediately. We will confront various challenges, manage each of these with determination, and focus on results.

We believe that we have made some progress on our earlier enterprise initiatives, as reflected in our 2019 results. We continue to strive to create a more economically sustainable A-Sonic for tomorrow.

Thank you for standing by us.

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. Her responsibilities include overseeing the logistics business unit under the branding "A-Sonic Logistics".

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 is the partner of Robert Yam & Co.. 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 and industries are a valuable contribution to the Group. He has an MBA (Investment & Finance) from the University of Hull, UK. He is also a Chartered Valuer and Appraiser of Singapore (NTU).

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.

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 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 29 cities in 16 countries, spanning four (4) continents in Asia, North America, Sub-Continent India and Europe. Our staff strength was approximately 700 personnel as at 31 December 2019.

Our aviation business relates to the sale 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

In many aspects, 2019 year was a challenging year. The global macro-economics and geo-political environment were fraught with continuous news of trade war and risk of global economic downturn. Despite this backdrop, our business performance ended on a positive note.

We achieved a consolidated "Profit Before Tax" of US$3.481 million in financial year ("FY") 2019, an increase of 3.29 times (or 328.7%) compared to US$0.812 million in FY 2018.

Our consolidated "Profit Attributable to Equity Shareholders of Parent Company" was US$2.533 million in FY 2019, up US$1.052 million or 71.0%, from US$1.481 million in FY 2018.

Our consolidated "Net Tangible Assets (Excluding Non-Controlling Interest)" or "Net Book Value" stood at US$29.821 million (or equivalent to S$40.160 million) as at 31 December 2019.

The table below highlights our Group's higher earnings in FY 2019 and net tangible assets as at end FY 2019, compared to FY 2018:

		FY 2018	**FY 2019**	**Change +/- (Percentage)**
(i)	Profit Before Tax (US$'000)	812	3,481	+328.7%
(ii)	Profit After Tax (US$'000)	630	3,107	+393.2%
(iii)	Net Profit Attributable to Equity Shareholders (US$'000)	1,481	2,533	+71.0%
(iv)	Earnings Per Share ("EPS") (Equivalent S$ cents)[1]	3.4	5.9	+73.5%
(v)	Net Tangible Assets (Attributable to Equity Holders of the Company) ("NTA") (US$'000) (Equivalent S$'000)	27,676 37,758[2]	29,821 40,160[3]	+7.8% +6.4%
(vi)	NTA/share (S$ cents)	64.6	68.7	+6.3%
(vii)	Historical Price Earnings Ratio[4]	9.3	5.3	N.A.[6]
(viii)	Share Price at Discount to NTAB[5]	51.2%	54.1%	N.A.[6]

Notes:
(1) Based on "Profit After Tax Attributable to Equity Holders of the Company" FY 2018 and FY 2019.
(2) Based on foreign currency exchange rate on 31 December 2018 (US$1=S$1.3643).
(3) Based on foreign currency exchange rate on 31 December 2019 (US$1=S$1.3467).
(4) Share price was based on the closing market price of S$0.315 on 27 February 2020, the date immediately preceding this announcement, and earnings was based on "Profit After Tax Attributable to Equity Holders of the Company".
(5) Share price was based on closing market price of S$0.315 on 27 February 2020, the date immediately preceding this announcement.
(6) N.A. = Not applicable

FINANCIAL **PERFORMANCE**

In summary, all three operating business units achieved profits in FY 2019:

(i) Our aviation business unit registered "Profit Attributable to Equity Holders of the Company" of US$0.097 million in FY 2019; and

(ii) "A-Sonic Logistics" business unit recorded "Profit Attributable to Equity Holders of the Company" of US$1.971 million in FY 2019; and

(iii) "UBI Logistics" business unit recorded "Profit Attributable to Equity Holders of the Company" of US$0.465 million in FY 2019.

INCOME STATEMENT

Revenue

FY 2019 vs FY 2018

Our Group's "Revenue" comprises "Turnover" and "Other income". Our Group's "Revenue" declined US$13.559 million (6.2%) to US$206.072 million in FY 2019, compared to US$219.631 million in FY 2018. "Revenue" declined owing to a decrease of US$13.843 million in our "Turnover" in FY 2019.

Our Group "Turnover" decreased US$13.843 million (6.3%) to US$204.908 million in FY 2019, compared to US$218.751 million in FY 2018 due to:

(i) lower (US$11.247 million) logistics "Turnover" to US$199.744 million in FY 2019, compared to US$210.991 million in FY 2018. Logistics "Turnover" decreased primarily due to lower business volume and freight rates, as a result of weaker global market conditions in FY 2019, especially the fourth (4th) quarter of 2019. Our logistics business experienced an unusually soft fourth (4th) quarter in FY 2019 as it was adversely affected by the global macro-economics and geo-political environment, which were fraught with continuous news of trade war and risk of global economic downturn; and

(ii) lower (US$2.596 million) aviation "Turnover" to US$5.164 million in FY 2019, compared to US$7.760 million in FY 2018.

Our aviation business contributed 2.5% (US$5.164 million) of our Group "Turnover" in FY 2019, and our logistics business unit contributed 97.5% (US$199.744 million).

"Other income" increased US$0.284 million (32.3%) to US$1.164 million in FY 2019, compared to US$0.880 million in FY 2018. The increase in "Other income" in FY 2019 was mainly due to higher (US$0.218 million) "Sundry income".

Expenses

FY 2019 vs FY 2018

Our "Expenses" declined 7.8% (US$17.052 million) to US$202.814 million in FY 2019, compared to US$219.866 million in FY 2018, mainly due to:

(i) a decrease of US$12.755 million in "Freight charges" to US$175.837 million in FY 2019, compared to US$188.592 million in FY 2018. The decline of US$12.755 million in "Freight charges" was in line with the lower (US$11.247 million) logistics "Turnover";

(ii) a reduction of US$3.270 million in "Other operating expenses" to US$3.713 million in FY 2019, compared to US$6.983 million in FY 2018. The reduction was mainly due to:

  (a) lower (US$0.915 million) "Rental expenses" of US$0.458 million in FY 2019, compared to US$1.373 million in FY 2018, as a result of the application of SFRS(I) 16 Leases;

  (b) a positive (US$0.687 million) swing in "Foreign currency exchange gain" to US$0.146 million in FY 2019, from a "Foreign currency exchange loss" of US$0.541 million in FY 2018; and

  (c) lower (US$0.247 million) "Impairment allowance for trade receivables" to US$0.115 million in FY 2019,compared to US$0.362 million in FY 2018; and

  (d) Lower (US$0.410 million) "Legal and professional fees" and (US$0.851 million) in "General and other expenses" including entertainment expenses, travelling expenses and office expenses.

(iii) lower (US$1.460 million) "Change in inventories" in FY 2019 of US$0.275 million due to one (1) engine sold in FY 2019, compared to US$1.735 million due to the sale of aircraft in FY 2018; and

(iv) lower in "Staff costs" of US$1.069 million in FY 2019, largely due to the reduction in headcount in USA and North Asia.

The above costs reductions in FY 2019 were partially offset by an increase (US$1.161 million) in "Depreciation of property, plant and equipment" to US$1.915 million, compared to US$0.754 million in FY 2018, as a result of the application of SFRS(I) 16 Leases.

FINANCIAL **PERFORMANCE**

Gross Profit

FY 2019 vs FY 2018

Our "Gross profit" was computed based on "Turnover" less "Changes in inventories", "Purchases of goods and consumables used" and "Freight charges". Despite a decline (US$13.843 million) in "Turnover" to US$204.908 million, "Gross profit" increased US$0.068 million (0.3%) to US$24.932 million in FY 2019, compared to US$24.864 million in FY 2018. The improvement was achieved largely due to higher yield achieved in North Asia.

Net Profit/(Loss) attributable to equity holders of the Company

FY 2019 vs FY 2018

Our Group recorded "Profit attributable to equity holders of the Company" of US$2.533 million in FY 2019, compared to US$1.481 million in FY 2018. The higher earnings in FY 2019 was because all three business units recorded "Profit attributable to equity holders of the Company":

(i) "Aviation" business recorded US$0.097 million; and

(ii) "A-Sonic Logistics" business recorded US$1.971 million; and

(iii) "UBI Logistics" business recorded US$0.465 million.

BALANCE SHEET

Non-current assets

The Group's "Non-current assets" decreased 3.3% (US$0.259 million) to US$7.492 million as at 31 December 2019 ("FY 2019"), compared to US$7.751 million as at 31 December 2018 ("FY 2018"). The decline was due to the reclassification of "Investment in associated companies" amounted to US$1.140 million as "Non-current asset held for sale" in FY 2019, as a result of potential disposal of an associated company. This decline was partially mitigated by the increase (US$1.444 million) in "Property, plant and equipment", as a result of the introduction of the new accounting standard, SFRS(I) 16 Leases, which took effect on 1 January 2019.

Current assets

"Current assets" declined US$9.051 million to US$56.792 million as at 31 December 2019, compared to US$65.843 million as at 31 December 2018. "Current assets" declined largely owing to:

(i) a decrease of US$6.798 million in "Trade and other receivables" to US$32.738 million as at 31 December 2019, compared to US$39.536 million as at 31 December 2018. The reduction in "Trade and other receivables" as at 31 December 2019, was largely due to lower (US$7.979 million) logistics "Turnover" in fourth (4th) quarter 2019, compared to fourth (4th) quarter 2018; and

(ii) a decrease of US$3.617 million in "Cash and cash equivalents" to US$20.856 million as at 31 December 2019, compared to US$24.473 million as at 31 December 2018. The "Cash and cash equivalents" was mainly deployed to reduce "Trade and other payables", which declined US$13.243 million to US$30.177 million as at end FY 2019, from US$43.420 million as at end FY 2018.

Non-current liabilities

"Non-current liabilities" comprising our "Finance lease liabilities" and "Lease liabilities" increased US$0.296 million to US$0.874 million as at 31 December 2019 as a result of the introduction of the new accounting standard, SFRS(I) 16 Leases, which took effect on 1 January 2019.

Current liabilities

"Current liabilities" declined US$12.267 million to US$36.436 million as at 31 December 2019, from US$48.703 million as at the end of FY 2018, virtually due to a reduction of US$13.243 million in "Trade and other payables" to US$30.177 million as at 31 December 2019. The reduction in "Trade and other payables" was:

(i) partly due to lower business conducted in fourth (4th) quarter 2019, compared to fourth (4th) quarter 2018 as elaborated in paragraph (ii) of the above section entitled "Current assets"; and

(ii) partial payment made to our creditors.

The above reduction in "Current liabilities" was however offset by:

(i) an increase (US$0.146 million) in "Contract liabilities", which was related to advance consideration received from customers, billing in excess of revenue recognized to-date and deferred revenue for logistics business unit; and

(ii) an increase (US$1.370 million) in "Lease liabilities" to US$1.370 million and was partially offset by a decrease (US$0.659 million) in "Finance lease liabilities" from US$0.659 million in FY 2018, as a result of the application of new accounting standard, SFRS(I) 16 Leases, which took effect on 1 January 2019.

Net asset and Equity

Excluding "Non-controlling interests", our "Equity attributable to equity holders of the Company" stood at US$29.821 million

FINANCIAL **PERFORMANCE**

as at 31 December 2019, an increase of US$2.145 million (7.8%), compared to US$27.676 million as at 31 December 2018. Our net tangible assets strengthened US$2.145 million to US$29.821 million as at end FY 2019 largely due to the Group's "Profit attributable to equity holders of the Company" of US$2.533 million in FY 2019. This increase was, however, partially offset by Dividends declared and paid for the financial year ended 31 December 2018 which amounted to US$0.432 million.

The Group's gearing based on total "Bank borrowings", "Finance lease liabilities" and "Lease liabilities" to "Equity attributable to equity holders of the Company" increased to 21.9% as at 31 December 2019, compared to 19.6% as at the 31 December 2018. This increase in gearing ratio was mainly due to the application of new accounting standard, SFRS(I) 16 Leases, which lease liability had been recognised. This new SFRS took effect on 1 January 2019. Had it not been for the new accounting standard, the Group's gearing ratio would have been 16.3% as at end FY 2019.

CASH FLOW

FY 2019 vs FY 2018

"Net cash used in operating activities" was US$1.421 million in FY 2019, compared to "Net cash generated from operating activities" of US$1.744 million in FY 2018 largely due to:

(i) The "Operating cash flow before working capital changes" generated cash amounted to US$4.984 million in FY 2019, compared to cash generated from "Operating cash flow before working capital changes" of US$0.948 million in FY 2018; The increase was mainly due to:-

 (a) "Profit before tax" of US$3.481 in FY 2019 compared to US$0.812 million in FY2018; and

 (b) "Depreciation of property, plant and equipment" of US$1.915 million in FY2019 compared to US$0.754 million in FY2018 as a result of the application of new accounting standard, SFRS(I) 16 Leases.

 However the increase above pared by the reduction in "Share of results of associated companies" of US$0.824 million from US$1.047 million in FY 2018 to US$0.223 million in FY 2019;

(ii) Cash used in "Payables" in FY 2019 was US$12.941 million, while cash used in "Payables" in FY 2018 was US$1.817 million largely due to our subsidiary in the Republic of China which utilized a greater portion of its cash to reduce its "Payables". As a result our "Trade and other payables" in our Balance Sheet elaborated in the section entitled "Current liabilities" on page 8 reduced to US$30.177 million as at end FY 2019, compared to US$43.420 million as at FY 2018;

(iii) Cash generated from "Inventories" in FY 2019 was US$0.275 million while cash generated from "Inventories" in FY 2018 was US$1.735 million;

(iv) Cash generated from "Receivables" in FY 2019 was US$6.225 million compared to US$0.708 million generated from "Receivables" in FY 2018; and

(v) "Income tax paid" in FY 2019 was US$0.121 million while US$0.230 million was paid in FY 2018.

"Net cash generated from investing activities" amounted to US$0.156 million in FY 2019, compared to "Net cash generated from investing activities" of US$0.387 million in FY 2018. The "Net cash generated from investing activities" in FY 2019 was mainly due to US$0.552 million of "Dividend received from associated companies", US$0.321 million of "Interest received" and US$0.110 million of "Proceeds from disposal of property, plant and equipment" and was partially offset by US$0.654 million used for "Purchase of property, plant and equipment and US$0.173 million used in "Restricted deposits". Whilst in FY 2018, the "Net cash generated from investing activities" mainly comprised of US$0.246 million of "Dividend received from associated companies", US$0.260 million of "Interest received" and a decrease of US$0.262 million in "Restricted deposits". However, these cash flows were partially offset by "Purchase of property, plant equipment" and "Investment in unquoted shares" of US$0.297 million and US$0.095 million respectively in FY 2018.

"Net cash used in financing activities" amounted to US$2.490 million in FY 2019, compared to "Net cash used in financing activities" of US$0.814 million in FY 2018. The "Net cash used in financing activities" was largely attributed to "Repayment of lease liabilities", "Repayment of bank borrowings", "Dividend paid" and "Interest paid" of US$1.836 million, US$0.165 million, US$0.432 million and US$0.275 million respectively in FY 2019. These cash outflows were partially offset by the "Proceeds from bank borrowings" amounted to US$0.218 million in FY 2019. Whilst in FY 2018, the "Net cash used in financing activities" was largely attributed to "Repayment of bank borrowings", "Repayment of finance lease liabilities" and "Interest paid" of US$0.350 million, US$0.616 million and US$0.238 million respectively. However, the "Net cash used in financing activities" was partially offset by the "Proceeds from bank borrowings" and "Contribution from non-controlling interest for incorporation of subsidiary" amounted to US$0.322 million and US$0.067 million respectively in FY 2018.

CORPORATE **GOVERNANCE STATEMENT**

A-Sonic Aerospace Limited ("A-Sonic") is committed to high standards of corporate governance and endorses the principles and provisions of the *Code of Corporate Governance issued on 6 August 2018 ("2018 Code")* to protect the interests of its shareholders and taking into account the interests of its stakeholders. This report describes the Company's corporate governance processes and activities with specific reference to the 2018 Code. The Company has adhered to the provisions that underpin the principles set out in the 2018 Code to such extent and as best as it can. In areas which the Company has not adhered to, the Company has adopted the "comply or explain" requirement.

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;

(d) nominates its directors for appointments to the various Board committees;

(e) identify key stakeholders of the Group, evaluate their impact and identify material issues;

(f) set sustainability strategy and review the effectiveness of sustainability strategy and seek area of improvement; and

(g) set the tone for A-Sonic on values and ethics.

The Company has established policy on conflicts of interest to guide Directors in their dealings with any conflict of interest. Where a director has a conflict of interest, or it appears that a director might have a conflict of interest, in relation to any matter, that director should immediately declare his/her interest at a meeting of the directors or send a written notice to the Company containing details of his/her interest and the conflict, and recuse himself/herself from participating in any discussion and decision on the matter.

Upon appointment to the Board, each Director will receive a Directors' guidebook which sets out the Director's duties and responsibilities and the Board governance policies and practices. The Director's guidebook will be maintained by the Company Secretary. In line with best practices in corporate governance, a newly appointed Director will sign a letter of engagement stating the role of the Board and non-executive Directors. A Director will be expected to allocate adequate time to address the Company's corporate affairs.

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

As an established practice, the Company has set approval limits for operating and capital expenditure, the procurement of goods and services and the acquisition and disposal of investments. The Board will approve transactions above certain threshold limits while delegating the approval for transactions below the threshold limits to the Chief Executive Office ("CEO"). The matters that require the specific review and approval of the Board are:

(a) material acquisition or divestment proposals;

(b) matters involving potential conflict of interest for a substantial shareholder or a director;

(c) corporate or financial restructuring;

(d) corporate announcements to the public;

(e) quarterly and yearly financial results;

(f) related parties transactions; and

(g) share issuances, dividend distribution, share buy-back and other returns to shareholders.

In 2019, 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 with written terms of reference and are chaired by independent directors. The terms of reference of the various Committees are described in this report.

Seven Board meetings, four AC meetings, one RC meeting and one NC meeting were conducted during the 2019 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	7/7			
5. Choh Thian Chee Irving	7/7			
6. Gurbachan Singh	7/7			

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	Board	Audit Committee	Nominating Committee	Remuneration Committee
Audit Committee[(2)]				
1. Yam Mow Lam		4/4		
2. Choh Thian Chee Irving		4/4		
3. Gurbachan Singh		4/4		
Nominating Committee[(2)]				
1. Choh Thian Chee Irving			1/1	
2. Janet LC Tan			1/1	
3. Yam Mow Lam			1/1	
Remuneration Committee[(2)]				
1. Choh Thian Chee Irving				1/1
2. Yam Mow Lam				1/1
3. Gurbachan Singh				1/1

(1) *The composition of the Board of Directors in 2019*
(2) *The composition of the respective committees in 2019*

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 Board is updated on a quarterly and yearly basis, and as and when required. The Group's quarterly and full year financial results are announced within legally prescribed periods. In communicating and disseminating the Group's consolidated financial results showing the segmental results, the Company aims to present a balanced and understandable assessment of the Group's performance, position and prospects.

The Board ensures compliance with the Listing Rule of SGX-ST. In this regard, each director has signed an undertaking in the form set out in Appendix 7.7 of the Listing Manual to comply to their best of their abilities with the Listing Rules and to use their best endeavors to procure that the Company shall so comply.

In order to fulfill their responsibilities, Board members are provided with complete and timely information such as the Board papers, financial results and supporting documents pertaining to the agenda, prior to Board meetings. In addition, the Board is also furnished with relevant information at all times 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. Company secretaries assist the Board in the following :

(i) to ensure Board procedures are followed and compliance with the Company's Constitution, the Companies Act, the Securities and Futures Act and the SGX-ST Listing Manual;

(ii) to ensure good information flows within the Board and its board committees and between Management and non-executive directors,

CORPORATE **GOVERNANCE STATEMENT**

(iii) to advise the Board on all governance matters; and

(iv) to facilitate orientation and assist with professional development as required.

The appointment and removal of company secretary is subject to approval of the Board.

PRINCIPLE 2 : BOARD COMPOSITION AND GUIDANCE

The Board comprised three (50%) executive directors and three (50%) non-executive directors. All of the three non-executive directors were independent directors. In this regard, half of the Board is considered independent. In addition, the Board has a balance of gender comprising three (50%) male members and three (50%) female members. The Company does not have nominee director.

Provision 2.2 of 2018 Code recommends that independent directors make up a majority of the Board where the Chairman is not independent and Provision 2.3 recommends that non-executive directors make up a majority of the Board. During the 2019 financial year, neither the independent directors nor the non-executive directors made up majority of the Board. This varied from Provisions 2.2 and 2.3 of the 2018 Code. However, the Company is of the view that the intent of Principle 2 of the 2018 Code is met as the independent non-executive directors comprised half of the Board and the diversity of thoughts of these directors enable them to make decisions in the best interests of the Company.

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 of Corporate Governance ("2012 Code") 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 particularly 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.

During Board meetings, the non-executive directors participate actively in discussions on key matters pertaining to the Group. They give constructive comments and suggestions to help develop the Group's strategic and business plans. They review the performance of Management in meeting goals and objectives and evaluate their performance.

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. In the selection of the members of the Board, the Board takes into consideration an appropriate balance of gender, 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.

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. After the meeting among the independent directors, the lead independent director provides verbal feedback to the Chairman and the feedback are recorded for further actions.

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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. Provision 3.1 of 2018 Code recommends that the Chairman and Chief Executive Officer are separate persons. However, the Company varied from this provision. 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 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. The Company has no alternate directors on its Board.

In 2019, 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;

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(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 3: “Corporate Information” 5: “Board of Directors” and 102: “Additional Information on Directors Seeking Re-Appointment” of this annual report, respectively.

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 2019 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 particularly rigorous review and has assessed in accordance to the 2012 Code’s definition. The Board has taken into consideration of the following factors in assessing the independence of each of, 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 to develop 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.

2018 Code requires listed companies to disclose the principal commitments and board representations on other listed companies that their directors may hold, in the annual report. 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 that are more than the maximum stated per the guidelines, the request must be made to the Chairman of the Board for approval.

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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
Choh Thian Chee Irving	Serrano Limited	28 October 2014	16 January 2018
	Goodland Group Limited	10 May 2018	–
Gurbachan Singh	Indiabulls Property Management Trustee Pte Ltd (delisted on 11 December 2017)	1 April 2014	–

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.

Each director completes the Board evaluation questionnaire that encumbers areas mentioned above. The completed questionnaires are submitted directly to the company secretary who will collate the responses and present to the NC. The NC will analyze the report and presents its findings to the Board. The Board will discuss the findings and agree on the appropriate actions to address the issues. The Chairman will follow up on the actions required.

After considering the results and action items from the 2018 Board evaluation report, the NC decided to use the same Board evaluation questionnaire for 2019.

PRINCIPLE 6 : 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 2019, 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;

(c) to make recommendations to the Board on specific remuneration packages for each executive director and the CEO of the Company and its subsidiaries;

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(d) to review all benefits and performance incentive schemes and compensation packages for the directors and key executives of the Company and its subsidiaries; and

(e) to review annual remuneration of Board and key management personnel to be disclosed in the Company's Annual Report.

Currently, the RC does not deem it necessary to seek expert advice on remuneration of all directors, as they are of the view that remuneration is in line with our industry peers.

On an annual basis, the RC reviews the Company's legal obligation in the event of termination of an executive director or key management personnel. Such contracts of service shall contain fair and reasonable termination clauses.

PRINCIPLE 7: LEVEL AND MIX OF 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.

The Company measures the performance of executive directors and key executives based on the financial performance of each subsidiary and non-financial indicators such as quality of earning streams indicated by customer base of that subsidiary.

The RC recommends directors' fees for non-executive directors for the Board's approval. The framework for determining the non-executive directors' fees for the financial year ended 31 December 2019 remains the same as for the previous financial year.

The RC has the discretion not to award and forfeit the incentives component of the remuneration of the executive directors or key executives, in the event that any misstatement of financial statements or misconduct resulting in financial loss to the Company.

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PRINCIPLE 8: DISCLOSURE ON REMUNERATION

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 2019:

Directors	Remuneration band S$	Fees %	Salaries %	Provident fund %	Bonus %	Allowances/ Benefits %	Total %
Chief Executive Officer[1]	*above 500,000*	5.8%	80.8%	3.6%	6.3%	3.5%	100.0%
Executive Director[2]	*250,000 to 500,000*	9.3%	67.1%	7.4%	6.2%	10.0%	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%

Notes:

Directors
(1) Janet LC Tan, first appointed as director on 3 March 2003 and last re-elected on 28 April 2017
(2) Tan Lay Yong Jenny, first appointed as director on 3 March 2003 and last re-elected on 27 April 2018
(3) Irene Tay Gek Lim, first appointed as director on 20 May 2004 and last re-elected on 26 April 2019
(4) Yam Mow Lam, first appointed as director on 29 July 2003 and last re-elected on 28 April 2017
(5) Choh Thian Chee Irving, first appointed as director on 29 July 2003 and last re-elected on 27 April 2018
(6) Gurbachan Singh, first appointed as director on 29 April 2016 and last re-elected on 26 April 2019

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.

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 2019.

The table below shows the gross remuneration of the five top-earning executives for the financial year ended 31 December 2019:

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Key Executives	Remuneration band	Salaries	Commission/ bonus	Defined contribution plan	Allowances/ benefits	Total
	S$	%	%	%	%	%
Executive(1)	*above 500,000*	89.0%	0.0%	0.0%	11.0%	100.0%
Executive(2)	*250,000 to 500,000*	48.1%	14.2%	5.7%	32.0%	100.0%
Executive(3)	*250,000 to 500,000*	100.0%	0.0%	0.0%	0.0%	100.0%
Executive(4)	*250,000 to 500,000*	78.2%	21.8%	0.0%	0.0%	100.0%
Executive(5)	*100,000 to 250,000*	59.3%	14.6%	8.9%	17.2%	100.0%

Notes:

Key executives
(1) Zhao Xiwang; (2) Goh Ah Koi; (3) Chin Kiam Choong; (4) Yeo Chai Ying Josephine; (5) Tong Wee Ting Sherry

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 2019, save as disclosed, 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$100,000.

PRINCIPLE 9 : 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 extend 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.

The Board has overall responsibility for the governance of risk and exercises oversight of the material risks in the Group's business. The Board has approved a Group Risk Framework for the identification of key risks within the Group. This Framework defines risks ranging from environmental to operational and management decision making risks. The identification and day-to-day management of risks rest with Management. Management is responsible for the effective implementation of risk management strategy, policies and processes to facilitate the achievement of business plans and goals within the risk tolerance established by the Board.

The Board has established a Risk Tolerance Framework to provide guidance to the Management on key risk parameters.

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The significant risks in the Group's business, including mitigating measures, are reviewed by the Board on a regular basis.

Periodic internal assessments in key areas of the Group's operations are conducted by Management to evaluate the adequacy and effectiveness of the risk management and internal control systems. The results of these assessments will be reported to the Board.

For the financial year ended 31 December 2019, the CEO and senior members of the Group's finance team have provided representation to the external auditors and the Board on the integrity of the financial statements and on the adequacy and effectiveness of the risk management and internal controls systems, addressing financial, operational, compliance and information technology risks of the Company.

PRINCIPLE 10 : AUDIT COMMITTEE

In 2019, 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. Mr Gurbachan Singh has related expertise particularly in corporate taxation which requires a fair understanding in financial matters. 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 adequacy and effectiveness of the internal audit function; and

(i) to review adequacy and effectiveness of risk management policies and internal control systems established by the Company.

The AC also reviews the significant financial reporting issues and assessments on the integrity of the financial statements of the company and all corporate announcements.

The external auditors update the AC at its meetings on the changes to accounting standards and developments in issues with a direct impact on financial statements. In addition, the Chairman of the AC is a practicing member of the Institute of Chartered Accountants of Singapore and keeps himself abreast of the changes to accounting standards and issues. The AC meets with the external auditors without the presence of the Management, once a year.

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The AC oversees the scope, adequacy 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 67 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.

None of the Company's AC members is a former partner of the Company's existing audit firm, in the last 2 years of his cessation as a partner of the auditing firm, nor does he has any financial interest in the auditing firm.

The AC has expressed authority to investigate any matter within its terms of reference. In addition, the AC has full access to Management and may invite any director or executive officer to attend its meetings to adequately discharge its investigating functions. The AC may seek co-operation from Management and full support of resources to perform its functions.

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 in good faith and confidence without fear of reprisals or concerns 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.

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

The AC conducts annual review to assess the adequacy and appropriateness of the internal audit capabilities within the Group. The AC has discretion from time to time to outsource internal audit function to independent third parties, depending on circumstances of each situation. The internal audit function is conducted by qualified accountants with audit experience. The internal auditors conduct their duties based on internationally recognised professional bodies such as the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditors have unrestricted access to the Group's accounting records, documents, properties and personnel. 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. The internal auditor has direct access and reports directly to the AC as the AC oversees the internal audit function. The AC reviews the adequacy and effectiveness of the internal audit function at least once a year. The AC will also meet with the internal auditors at least once a year.

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The Company's internal audit function was carried out by external independent audit firms during the financial year ended 31 December 2019. During the financial year, the internal auditor conducted an audit on one of its subsidiaries. The independent audit firm's scope of audit includes: (i) evaluating the adequacy and effectiveness of the subsidiary's 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 detailed report on the summary of the internal audit findings was issued to the AC. The external auditors of the Company also have access to the internal audit report.

The AC reviews the adequacy and effectiveness 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 2019, 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.

The AC also reviews the assurance provided by the CEO and senior members of the Group's finance team on the integrity of the financial statements and financial records and is satisfied that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

PRINCIPLE 11 : SHAREHOLDERS' RIGHTS AND CONDUCT OF GENERAL MEETINGS

In line with the continuing disclosure obligations of the Company pursuant to the SGX-ST Listing Manual and the Companies Act, Chapter 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, speak and vote at general meetings in his stead.

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.

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

The attendance of Directors at the General Meetings held during the year ended 31 December 2019 was as follows:

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Board of Directors	Annual General Meeting on 26 April 2019	Extraordinary General Meeting on 30 December 2019
Janet LC Tan	√	√
Tan Lay Yong Jenny	√	√
Irene Tay Gek Lim	√	√
Yam Mow Lam	√	√
Choh Thian Chee Irving	√	√
Gurbachan Singh	√	–

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.

Pursuant to the Company's Constitution, the shareholders may appoint up to two proxies to attend, speak and vote at all general meetings on their behalf in the event that they are unable to attend the meetings.

All resolutions at AGM are put to vote by poll. This allows greater transparency and a more equitable participation by shareholders. The results of votes by poll are announced after the AGM via SGXNET.

Minutes of general meetings are prepared, including comments and queries from shareholders and responses from the Board and Management. The minutes are made available for inspection upon request of the shareholders.

The Company currently does not have a fixed dividend policy. The dividend paid each year will depend on factors that include the Group's performance and business plans to achieve sustainable long term growth. For the financial year ended 2019, the Company is declaring dividend payout of 1 Singapore cent per ordinary share. In the event there is a declaration of dividends, details of dividend payment will be disclosed via the release of the announcement through SGXNET.

PRINCIPLE 12 : ENGAGEMENT WITH SHAREHOLDERS

In addition to the timely public announcements made on SGXNET, the Company maintains a website (www.asonic-aerospace.com) to bring public awareness to the Group. The shareholders and public can provide feedback to the Company via the electronic mail address or the registered address. Calls and emails requesting for information are attended to promptly.

The Company discloses information timely on SGXNET and all information channels where applicable. In the event of inadvertent disclosure made to a select group, the Company will immediate make the same disclosure to all others promptly. In this regard, the Company has not encountered any inadvertent disclosure to any select group.

In 2019, 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

CORPORATE **GOVERNANCE STATEMENT**

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.

The Company communicates with its shareholders and the investment community through the timely release of announcements to SGXNET. In addition, the Directors regularly interact directly with shareholders and investors, during the Annual General Meeting, and Extraordinary General Meetings where applicable. The Company also responds to enquiries from investors, analysts, fund managers and the press.

PRINCIPLE 13 : ENGAGEMENT WITH STAKEHOLDERS

The Company is publishing the sustainability report for the financial year ended 31 December 2019 on its own website, www.asonic-aerospace.com. Upon hosting the publication on the website, an announcement will be made on SGXNET. The Company identifies its stakeholders and describes the sustainability approach and engagement with these stakeholders in its sustainability report. A summary of the sustainability report is provided in this annual report.

The Company maintains a website (www.asonic-aerospace.com) to bring public awareness to the Group. The public can provide feedback to the Company via the electronic mail address or the registered address. Calls and emails requesting for information are attended to promptly.

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 2019.

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.

SUSTAINABILITY **MANAGEMENT**

At A-Sonic, we believe that sustainability is the foundation of good management practices, and serves to guide us:

(i) to achieve long-term economic value for our business;

(ii) how our actions and solutions help people - our employees, customers, suppliers, and the community; and

(iii) to conduct our business ethically.

The three pillars that motivate and inspire us in our sustainability efforts are:

(i) Performance – Provide solutions to our customers and leverage on innovative technology to develop sustainable long-term economic value for our business;

(ii) People – Cultivate inclusion and holistic wellness of our staff members, their families and the community; and

(iii) Ethical Conduct – Integrity of our employees.

STAKEHOLDRERS

A-Sonic has identified the following as our stakeholders: employees, customers, suppliers, investors and community in which we operate on an on-going, pragmatic basis.

Our stakeholders provide us with valuable insights for improving our business and sustainability strategy through a range of engagement activities – including collaboration on industry initiatives, customer and supplier site visits as well as updates, supplier audits and assessment, international conference participation, employee sessions and feedbacks, annual and extraordinary general meetings with investors, and more.

Based on relative importance to sustainable development and to A-Sonic's business success, the following issues have been identified to be material for the purpose of this report.

ECONOMIC PERFORMANCE

Economic performance is defined as our most material aspect because, like most companies, our economic success enables the execution of our sustainability strategies.

Our primary role in society is to build an integrated team in diverse markets working to provide seamless aviation and logistics solutions. We currently operate in 29 cities in 16 countries, spanning four (4) continents in Asia, North Americas, Sub-Continent India, and Europe.

Climate change presents both opportunity and risk to the economic performance of our business. We aim to achieve two goals: (i) economic cost savings; and (ii) reduce our impact on the environment, hence climate change.

SUSTAINABILITY **MANAGEMENT**

ETHICAL CONDUCT

Fundamental to our sustainability is to conduct our business with integrity and protect our reputation. We strive daily to earn our trust from our employees, customers and suppliers. We adopt strong measures to prevent corruption and comply with applicable laws and regulations.

The senior management of A-Sonic executives set a tone of compliance and ethical conduct from the top. A-Sonic is committed to comply with the applicable law and regulation wherever we operate.

EMPLOYEES

The value that continues to guide us as we grow A-Sonic enterprise is the corporate culture that we build together. Our culture aspires us to make lives better, and at the same time, be pragmatic, to be profitable. While we work hard, push ourselves, we must enjoy our work and have fun. We look to each and every employee to incorporate our sustainability principles into their work.

Our priority is to promote from within the group as a means of engaging and retaining our people, as well as bringing valuable external experience and continuity to our business. We aim to promote from within means that we emphasize on developing our people within their current positions of greater responsibility.

We believe that the process of building a diverse workforce begins with recruiting talented people regardless of their race, religion, gender identity, nationality or age. We reward base on merits and performance.

We adopt a holistic wellness approach for our employees. Our holistic programme focuses on three critical aspects:

(i) physical health and safety;

(ii) work-life balance; and

(iii) financial wellness.

We strive to recruit good people and retain them with us for the long-term. Our approach to training and development is one of shared responsibility among the company, individual employees, and their managers

For more information on A-Sonic's sustainability efforts, the full version of the Sustainability Report is available at www.asonic-aerospace.com by 31 May 2020.

FINANCIAL CONTENTS

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 2019.

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 36 to 101 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 2019 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 (the "Act") and Singapore Financial Reporting Standards (International); 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 Act except as follows:

	Number of ordinary shares		
	Shareholdings registered in name of director or nominee		
The Company	**At**	**At**	**At**
Name of Directors	**1.1.2019**	**31.12.2019**	**21.01.2020**
Janet LC Tan	31,198,997	31,551,597	31,646,597
Tan Lay Yong Jenny	360,070	360,070	360,070
Irene Tay Gek Lim	482,800	482,800	482,800
Yam Mow Lam	23,750	23,750	23,750
Choh Thian Chee Irving	7,500	7,500	7,500

By virtue of Section 7(4) of the Act, 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 Group:

	Description of interests	**At 1.1.2019**	**At 31.12.2019**
A-Sonic Express Logistics (India) Private Limited	Ordinary shares	4,100,000	4,100,000
A-Sonic Logistics (UK) Ltd	Ordinary shares	102,000	102,000
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
CALS Logistics, Inc.	Ordinary shares	255	255
Ultra Air Cargo Inc.	Ordinary shares	51	51

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 2019, 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 Act and the SGX Listing Manual. Their functions are detailed in the Corporate Governance Statement included in this Annual Report.

In performing its functions, the Audit Committee met with Company's independent auditors to discuss the scope of their work, the results of their examination and evaluation of the Group's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Group's management to the independent auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions, if any, during the financial year (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee is satisfied with the independence and objectivity of the independent auditors and has recommended to the Board that Baker Tilly TFW LLP be nominated for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

DIRECTORS' **STATEMENT**

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

25 March 2020

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 36 to 101, which comprise the balance sheets of the Group and of the Company as at 31 December 2019, 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 financial 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 Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2019 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 financial 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.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF A-SONIC AEROSPACE LIMITED

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Revenue recognition

(Refer to Note 2(b) for accounting policy related to revenue recognition, Note 3 for critical accounting judgement related to revenue recognition and Note 4 for the disclosure related to revenue).

The Group's turnover of approximately US$204.91 million for the financial year ended 31 December 2019 comprises substantially revenue from logistics segment, representing revenue from the provision of logistic solutions, including international and domestic multi-modal transportation, warehousing, distribution, customs clearance, and airport ground services, and revenue from aviation segment, which includes sale of aircraft, aircraft engines and aircraft components. Owing to the inherent nature of the Group's business, in particular logistics segment, which has various contractual terms across the Group's markets and services, significant judgement is required by management in their consideration of the timing and point of revenue recognition. This is considered to be a key audit matter as our assessment of the Group's revenue recognition policy and our audit work to determine whether the Group's revenue is recognised in accordance with SFRS(I) 15, required significant auditor's attention.

How the matter was addressed in our audit

The key audit procedures performed by us and the component auditors include the following:

- obtained an understanding of the revenue cycle and its revenue recognition processes;
- evaluated management's assessment of the application of SFRS(I) 15, in particular the 5-step approach for each revenue stream. In particular, we evaluated management's assessment of revenue recognition at a point in time and over time;
- evaluated the design of key relevant internal controls over the revenue cycle and tested the operating effectiveness of selected key relevant internal controls;
- reviewed the contractual terms of the different types of revenue to assess the timing of revenue recognition;
- carried out substantive procedures, including test of details on a sample basis to determine whether revenue was appropriately recognised in accordance with contracts and that the performance obligation was satisfied for transactions close to year end; and
- assessed the adequacy of the Group's disclosures in respect of revenue.

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.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF A-SONIC AEROSPACE LIMITED

Report on the Audit of the Financial Statements (cont'd)

Other Information (cont'd)

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 SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF A-SONIC AEROSPACE LIMITED

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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.

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 Ms Tiang Yii.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

25 March 2020

A-SONIC AEROSPACE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group	
		2019	2018
	Note	**US$'000**	US$'000
Revenue			
Turnover	4	**204,908**	218,751
Other income:			
- Interest income			
- bank deposits		**319**	253
- third parties		**–**	1
- associated companies		**2**	6
- Others	5	**843**	620
Expenses			
Changes in inventories		**(275)**	(1,735)
Purchases of goods and consumables used		**(3,864)**	(3,560)
Freight charges		**(175,837)**	(188,592)
Staff costs	6	**(16,935)**	(18,004)
Depreciation of property, plant and equipment	11	**(1,915)**	(754)
Finance costs	7	**(275)**	(238)
Other operating expenses		**(3,713)**	(6,983)
Share of results of associated companies		**223**	1,047
Profit before tax	8	**3,481**	812
Taxation	9	**(374)**	(182)
Profit for the financial year		**3,107**	630
Profit attributable to:			
Equity holders of the Company		**2,533**	1,481
Non-controlling interests		**574**	(851)
Profit for the financial year		**3,107**	630
Earnings per share attributable to equity holders of the Company (cents per share)			
Basic	10	**4.33**	2.53
Diluted	10	**4.33**	2.53

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	2018
	US$'000	US$'000
Profit for the financial year	**3,107**	630
Other comprehensive income:		
Items that are or may be reclassified subsequently to profit or loss:		
Currency translation differences arising on consolidation	**83**	(144)
Item that will not be reclassified subsequently to profit or loss:		
Currency translation differences arising on consolidation	**(29)**	153
Other comprehensive income for the financial year, net of tax	**54**	9
Total comprehensive income for the financial year	**3,161**	639
Total comprehensive income attributable to:		
Equity holders of the Company	**2,616**	1,337
Non-controlling interests	**545**	(698)
Total comprehensive income for the financial year	**3,161**	639

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

A-SONIC AEROSPACE LIMITED AND ITS SUBSIDIARIES

BALANCE **SHEETS**

AS AT 31 DECEMBER 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Non-current assets					
Property, plant and equipment	11	**7,293**	5,849	**–**	–
Investments in subsidiaries	12	**–**	–	**14,663**	14,663
Investments in associated companies	13	**91**	1,527	**–**	–
Fair value through other comprehensive income	14	**99**	98	**–**	–
Deferred tax assets	15	**9**	277	**–**	–
		7,492	7,751	**14,663**	14,663
Current assets					
Inventories		**1,262**	1,537	**–**	–
Trade and other receivables	16	**32,738**	39,536	**5**	6
Contract assets	17	**556**	–	**–**	–
Due from subsidiaries	18	**–**	–	**2,605**	2,362
Due from associated companies	19	**184**	258	**–**	–
Tax recoverable		**56**	39	**–**	–
Cash and cash equivalents	20	**20,856**	24,473	**8,983**	11,278
		55,652	65,843	**11,593**	13,646
Non-current asset held for sale	21	**1,140**	–	**–**	–
		56,792	65,843	**11,593**	13,646
Total assets		**64,284**	73,594	**26,256**	28,309
Non-current liabilities					
Finance lease liabilities	22	**–**	578	**–**	–
Lease liabilities	23	**874**	–	**–**	–
		874	578	**–**	–
Current liabilities					
Trade and other payables	24	**30,177**	43,420	**233**	278
Contract liabilities	17	**146**	–	**–**	–
Due to subsidiaries	18	**–**	–	**3,514**	6,194
Bank borrowings	25	**4,285**	4,174	**2,502**	2,250
Provisions for liabilities	26	**265**	265	**–**	–
Finance lease liabilities	22	**–**	659	**–**	–
Lease liabilities	23	**1,370**	–	**–**	–
Tax payable		**193**	185	**43**	48
		36,436	48,703	**6,292**	8,770
Total liabilities		**37,310**	49,281	**6,292**	8,770
Net assets		**26,974**	24,313	**19,964**	19,539
Equity					
Share capital	27	**51,758**	51,758	**51,758**	51,758
Accumulated losses		**(14,457)**	(16,519)	**(31,794)**	(32,219)
Foreign currency translation reserve		**(7,480)**	(7,563)	**–**	–
Equity attributable to equity holders of the Company		**29,821**	27,676	**19,964**	19,539
Non-controlling interests		**(2,847)**	(3,363)	**–**	–
Total equity		**26,974**	24,313	**19,964**	19,539

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019	51,758	(16,519)	(7,563)	27,676	(3,363)	24,313
Effect of adopting SFRS(I) 16 (Note 2(a))	–	(39)	–	(39)	(29)	(68)
Restated as at 1 January 2019	51,758	(16,558)	(7,563)	27,637	(3,392)	24,245
Profit for the financial year	–	2,533	–	2,533	574	3,107
Other comprehensive income						
Currency translation differences on consolidation	–	–	83	83	(29)	54
Total comprehensive income for the financial year	–	2,533	83	2,616	545	3,161
Transaction with owner recorded directly in equity						
Dividend paid on ordinary shares (Note 30)	–	(432)	–	(432)	–	(432)
At 31 December 2019	**51,758**	**(14,457)**	**(7,480)**	**29,821**	**(2,847)**	**26,974**
At 1 January 2018	51,758	(18,021)	(7,419)	26,318	(2,684)	23,634
Profit/(loss) for the financial year	–	1,481	–	1,481	(851)	630
Other comprehensive income						
Currency translation differences on consolidation	–	–	(144)	(144)	153	9
Total comprehensive income/(loss) for the financial year	–	1,481	(144)	1,337	(698)	639
Transaction with owner recorded directly in equity						
Write back of unclaimed dividend	–	1	–	1	–	1
Change in ownership interest in subsidiaries						
Acquisition of interest in subsidiary without change in control	–	20	–	20	19	39
At 31 December 2018	51,758	(16,519)	(7,563)	27,676	(3,363)	24,313

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

A-SONIC AEROSPACE LIMITED AND ITS SUBSIDIARIES

STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	**Share capital US$'000**	**Accumulated losses US$'000**	**Total US$'000**
At 1 January 2019	51,758	(32,219)	19,539
Profit and total comprehensive income for the financial year	–	857	857
Dividend paid on ordinary shares (Note 30)	–	(432)	(432)
At 31 December 2019	**51,758**	**(31,794)**	**19,964**
At 1 January 2018	51,758	(32,986)	18,772
Profit and total comprehensive income for the financial year	–	766	766
Transaction with owners recorded directly in equity			
Write back of unclaimed dividend	–	1	1
At 31 December 2018	51,758	(32,219)	19,539

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	2018
	US$'000	US$'000
Cash flows from operating activities		
Profit before tax	**3,481**	812
Adjustments for:		
Impairment allowance for trade receivables written back	**(29)**	(11)
Impairment allowance for non-trade receivables written back	**(4)**	–
Interest income	**(321)**	(260)
Forfeit of deposit received	**(100)**	–
Gain on disposal of property, plant and equipment	**–**	(8)
Gain on derecognition of right-of-use assets and lease liabilities	**(16)**	–
Provision for liabilities written back	**–**	(5)
Impairment allowance for amount due from associated companies	**13**	11
Impairment allowance for non-trade receivables	**–**	102
Impairment allowance for trade receivables	**115**	362
Depreciation of property, plant and equipment	**1,915**	754
Interest expenses:		
- Lease liabilities	**119**	–
- Finance lease liabilities	**–**	38
- Bank borrowings	**156**	200
Share of results of associated companies	**(223)**	(1,047)
Write back of accrued operating expenses	**(122)**	–
Operating cash flow before working capital changes	**4,984**	948
Inventories	**275**	1,735
Receivables	**6,225**	708
Payables	**(12,941)**	(1,817)
Effect of foreign exchange rate changes	**157**	400
Cash (used in)/generated from operations	**(1,300)**	1,974
Income tax paid	**(121)**	(230)
Net cash (used in)/generated from operating activities	**(1,421)**	1,744
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**110**	11
Interest received	**321**	260
Restricted deposits	**(173)**	262
Purchase of property, plant and equipment (Note 11)	**(654)**	(297)
Investment in unquoted shares	**–**	(95)
Dividend received from associated companies	**552**	246
Net cash generated from investing activities	**156**	387

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

A-SONIC AEROSPACE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	2018
	US$'000	US$'000
Cash flows from financing activities		
Proceeds from bank borrowings	**218**	322
Contribution from non-controlling interest for incorporation of subsidiary	**–**	67
Repayment of bank borrowings	**(165)**	(350)
Repayment of finance lease liabilities	**–**	(616)
Repayment of lease liabilities	**(1,836)**	–
Dividend unclaimed by shareholders	**–**	1
Dividend paid	**(432)**	–
Interest paid:		
- Lease liabilities	**(119)**	–
- Finance lease liabilities	**–**	(38)
- Bank borrowings	**(156)**	(200)
Net cash used in financing activities	**(2,490)**	(814)
Net (decrease)/increase in cash and cash equivalents	**(3,755)**	1,317
Cash and cash equivalents at beginning of financial year	**24,268**	23,315
Effect of foreign exchange rate changes	**(35)**	(364)
Cash and cash equivalents at end of financial year (Note 20)	**20,478**	24,268

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

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 ("US$") and are rounded to the nearest thousand (US$'000) except when otherwise indicated. The financial statements have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)"). 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 SFRS(I) 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.

Use of estimates and judgements

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 amounts 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.

New and revised standards

In the current financial year, the Group and the Company has adopted all the new and revised SFRS(I)s and Interpretations of SFRS(I)s ("INT SFRS(I)s") 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 SFRS(I)s and INT SFRS(I)s.

The adoption of these new/revised SFRS(I)s and INT SFRS(I)s did not have any material effect on the financial results or position of the Group and the Company except as disclosed below.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 16 Leases

When the Group is the lessee:

SFRS(I) 16 replaces the existing SFRS(I) 1-17 *Leases* for financial periods beginning 1 January 2019. 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. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge on right-of-use asset and interest expense on lease liability.

The Group has adopted and applied SFRS(I) 16 at the date of initial application on 1 January 2019 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated losses at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented as previously reported under SFRS(I) 1-17 and related interpretations. Additionally, the disclosure requirements in SFRS(I) 16 have not been generally applied to comparative information.

On adoption of SFRS(I) 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "Operating Leases" under SFRS(I) 1-17 *Leases*. These liabilities were measured at the present value of the remaining lease payments as at 1 January 2019, discounted using the Group's incremental borrowing rate as at 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.94% per annum.

	2019 US$'000
Operating lease commitments disclosed as at 31 December 2018	1,317
Add: Extension options which are reasonably certain to be exercised	1,388
Discounting effect using weighted average lessee's incremental borrowing rate	(489)
Less: Short term leases and leases of low value assets	(458)
Add: Reclassified from finance lease liability	1,237
Lease liability recognised as at 1 January 2019	2,995

The associated right-of-use ("ROU") assets were measured at a carrying amount as if SFRS(I) 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 January 2019.

The difference between the carrying amount of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening accumulated losses. Comparative information is not restated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 16 Leases (cont'd)

When the Group is the lessee (cont'd):

In applying SFRS(I) 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- for all the contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16;
- use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- account for operating leases with remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- rely on previous assessment of whether leases are onerous as an alternative to performing an impairment review;
- exclude initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

The effect of adoption of SFRS(I) 16 on the Group's financial statements on 1 January 2019 are summarised as follows:

	Increase/ (decrease) US$'000
Property, plant and equipment	1,690
Lease liabilities	2,995
Finance lease liabilities	(1,237)
Accumulated loss	(39)
Non-controlling interests	(29)

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 2019 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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

b) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Details of the Group's revenue recognition policies are as follows:

i) Sale of goods

Revenue is recognised when control over a product is transferred to the customer as dictated by the contractual terms which generally coincides with delivery of goods. Revenue from these sales is recognised based on the price specified in the contract. If the products are a partial fulfilment of a contract covering other goods, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods promised under the contract on a relative stand-alone selling price basis. A receivable is recognised when the goods are delivered as this is the point in time when the consideration is unconditional because only the passage of time is required before the payment is due.

ii) Rendering of services

Provision of logistic solutions, include international and domestic multi-modal transportation, warehousing, distribution, customs clearance, and airport ground services

Revenue comprises air and sea freight, transportation, custom clearance, documentation, cartage, handling and transfers and delivery of goods. These services are recognised at a point in time when control over the goods to be shipped/delivered is transferred to the customer and the timing of which is determined by the delivery and shipping contractual terms and International Commercial Terms. The performance obligation is measured at a point in time once the service has been completed upon transfer or delivery of goods as the performance obligation has been met. The Group will bill customer when the service has been performed and the customer is required to pay within 30 to 90 days from the invoice date.

Warehousing services

The Group provides warehouse storage and inventory management services. Such services are recognised as revenue as the performance obligations are satisfied over time.

Other services

Revenue from other services comprises projects for delivery services and management of operations and is recognised on a monthly basis when the services are rendered and billed in accordance with contractual terms and on satisfaction of the various performance obligations. Contract asset is recognised when service has been performed but not yet billed. Where there is advance billing to customer, a contract liability is recognised for billing in excess of revenue recognised.

iii) Interest income

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

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

b) Revenue recognition (cont'd)

iv) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

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, if any. 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.

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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

d) Basis of consolidation (cont'd)

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.

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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

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 consolidated financial statements include the Group's share of the post-acquisition profits or losses and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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, unrealised gains are eliminated to the extent of the Group's interest in the relevant associated company. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the asset transferred.

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.

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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

e) Associated companies (cont'd)

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 unit 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.

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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

g) Property, plant and equipment (cont'd)

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 Group 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 allocate the depreciable amounts of other property, plant and equipment over their expected useful lives/lease terms. The estimated useful lives/lease terms are as follows:

	Years
Building on freehold land	20 - 30
Leasehold office units	2 - 50
Electrical equipment, tools and machinery	5
Computer equipment	1 - 5
Furniture, fixtures and fittings	3 - 5
Motor vehicles	2 - 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.

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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

h) Impairment of non-financial assets excluding goodwill (cont'd)

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 aircraft and aircraft engines 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

The accounting policy for leases before 1 January 2019 is as follows:

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 outstanding liability and finance charges. The corresponding lease liabilities, net of finance charges, are included in borrowings. The finance charge 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.

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.

2 Summary of significant accounting policies (cont'd)

j) Leases (cont'd)

When a Group entity is the lessee (cont'd):

The accounting policy for leases from 1 January 2019 onwards is as follows:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all contracts that are, or contain, a lease, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. For these exempted leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liability is presented as a separate line in the balance sheets.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method, and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever there is a modification such as a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

j) Leases (cont'd)

When a Group entity is the lessee (cont'd):

The accounting policy for leases from 1 January 2019 onwards is as follows (cont'd):

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct cost, less any lease incentive received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the cost relates to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in property, plant and equipment in the consolidated balance sheet.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(h).

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease component as a single arrangement. The Group has applied this practical expedient.

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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

k) Income taxes (cont'd)

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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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.

l) Financial assets

Recognition and derecognition

Regular way 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.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

l) Financial assets (cont'd)

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through other comprehensive income ("FVOCI").

The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Subsequent measurement

Debt instruments

Debt instruments for the Group and Company include cash and bank balances, trade receivables, other receivables (excluding prepayments), due from subsidiaries and due from associated companies.

Amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

l) Financial assets (cont'd)

Subsequent measurement (cont'd)

Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments which are not held for trading or not a contingent consideration recognised by an acquirer in a business combination, the Group may make an irrevocable election (on an investment by investment basis) to designate equity investments as at FVOCI.

The Group has designated all/certain of its equity investments that are not held for trading as at FVOCI at initial recognition. Gains and losses arising from changes in fair value of these equity investments classified as FVOCI are presented as "fair value gains/losses" in other comprehensive income and accumulated in fair value reserve and will never be reclassified to profit or loss. On disposal of an equity investment, the difference between the carrying amount and sales proceed amount would be recognised in profit or loss except for equity investment designated at FVOCI which would be recognised in other comprehensive income. Fair value reserve relating to the disposed asset would be transferred to retained earnings upon disposal. Dividends from equity investments are recognised in profit or loss and presented in "other income". Equity investments classified as FVOCI are not subject to impairment assessment.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-months ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-months ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

l) Financial assets (cont'd)

Offset

Financial assets and liabilities are offset and the net amount presented on the balance sheet when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

m) Financial liabilities

Financial liabilities include trade and other payables (excluding deferred income and accrual for unutilised leave), due to subsidiaries, bank borrowings, finance lease liabilities, lease liabilities, financial guarantee contracts and loan commitments. 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 in accordance with the original or modified terms of a debt instrument.

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 amount initially recognised less cumulative amount of income recognised in accordance with the principles of SFRS(I) 15 and the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

o) Provisions for other liabilities (cont'd)

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.

p) Employee benefits

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.

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

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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

q) Foreign currencies (cont'd)

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.

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 on or after 1 January 2005, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

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.

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 2019

2 Summary of significant accounting policies (cont'd)

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.

x) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as non-current assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

The assets are not depreciated or amortised while they are classified as held for sale. In addition, equity accounting of associates and joint ventures ceases once classified as held for sale.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and:

- represents a separate major line of business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations disclosed below):

Revenue recognition

The Group's revenue comprises revenue from logistics segment, which includes the provision of logistic solutions, including international and domestic multi-modal transportation, warehousing, distribution, customs clearance, and airport ground services, and revenue from aviation segment, which includes sale of aircraft, aircraft engines and aircraft components. Owing to the inherent nature of the Group's business, in particular logistics segment, which has various contractual terms across the Group's markets and services, significant judgement is required to determine whether revenue should be recognised at a point in time or over time and the timing of revenue recognition. Management has to consider, among others, the delivery and shipping contractual terms and International Commercial Terms when deciding how the performance obligations have been satisfied and the timing of revenue recognition. Management also took into account the diversity and the voluminous population of the individual sales transactions. In addressing the above matters, Management concluded that revenue from logistic solutions which is the main revenue stream of the Group, should be recognised at the point in time when the goods have been transferred/delivered in accordance with the contractual terms of the transactions as the performance obligation would then have been satisfied.

In respect of warehousing and other services, management has considered the nature of such services and the performance obligations and concluded these services should be recognised over time.

Revenue recognised in profit or loss is disclosed in Note 4.

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.

Impairment of non-current assets

The Group and the Company assess 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) and investment in associated companies (Note 13).

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

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. Due to the specialised nature of the inventories and the niche market that the Group operates in, market price information is not easily available. Accordingly, significant management judgement is required to determine the net realisable value. The carrying amount of inventories at the balance sheet date was US$1,262,000 (2018: US$1,537,000).

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As the calculation of loss allowance on trade receivables is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of trade receivables. Details of ECL measurement and carrying value of trade receivables at reporting date are disclosed in Note 33(b).

4 Turnover

The principal activities of the Group are (i) sale of aircraft, aircraft engines and aircraft components, (ii) provision of logistic solutions, including international and domestic multi-modal transportation, warehousing, distribution, customs clearance, and airport ground services.

Turnover represents income from the sale of aircraft, aircraft engines and aircraft components; and the provision of logistic solutions, including international and domestic multi-modal transportation, warehousing, distribution, customs clearance, and airport ground services.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4 Turnover (cont'd)

	Group 2019 US$'000	Group 2018 US$'000
Provision of logistic solutions, including international and domestic multi-modal transportation, warehousing, distribution, customs clearance, and airport ground services	**199,744**	210,991
Sales of goods	**5,164**	7,760
	204,908	218,751
Timing of revenue recognition		
At a point in time		
- Provision of logistic solutions, including international and domestic multi-modal transportation, warehousing, distribution, customs clearance, and airport ground services	**187,230**	201,046
- Sales of goods	**5,164**	7,760
Over time		
- Provision of warehousing and other services	**12,514**	9,945
	204,908	218,751

5 Other income

	Group 2019 US$'000	Group 2018 US$'000
Impairment allowance for trade receivables written back (Note 16(a))	**29**	11
Impairment allowance for non-trade receivables written back		
- third parties (Note 16(b))	**4**	–
Forfeit of deposit received	**100**	–
Write back of accrued operating expenses	**122**	–
Late payment fee	**–**	70
Gain on disposal of property, plant and equipment	**–**	8
Gain on derecognition of right-of-use assets and lease liabilities	**16**	–
Government grants	**140**	146
Management and administrative fees		
- associated companies	**37**	25
Bad debts recovered	**28**	35
Other miscellaneous income	**351**	293
Provision for liabilities written back (Note 26)	**–**	5
Insurance claimed received	**16**	27
	843	620

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6 Staff costs

	Group	
	2019	2018
	US$'000	US$'000
Key management personnel		
Directors of the Company:		
- Remuneration and related costs	**964**	972
- Fees	**126**	127
- Defined contribution plan	**52**	46
Other key management personnel:		
- Remuneration and related costs	**482**	485
Other staff:		
- Remuneration and related costs	**13,896**	15,028
- Defined contribution plan	**1,415**	1,346
	16,935	18,004

7 Finance costs

	Group	
	2019	2018
	US$'000	US$'000
Interest on lease liabilities (Note 23)	**119**	–
Interest on finance lease liabilities (Note 22)	**–**	38
Interest on bank borrowings	**156**	200
	275	238

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8 Profit before tax

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

	Group	
	2019	2018
	US$'000	US$'000
Auditors' remuneration		
- Auditor of the Company		
- current year	**70**	76
- over provision in prior year	**(1)**	(9)
- Other auditors*	**109**	94
Fees for non-audit services paid to:		
- Auditors of the Company	**12**	14
- Other auditors*	**14**	13
Impairment allowance for trade receivables - third parties (Note 16(a))	**115**	362
Impairment allowance for non-trade receivables		
- Third parties (Note 16(b))	**–**	102
- Associated companies (Note 19)	**13**	11
Bad trade receivables written off	**–**	58
Cost of inventories recognised as an expense	**4,139**	5,295
Rental expenses (Note 31)	**458**	1,373
Foreign currency exchange (gain)/loss	**(146)**	541

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

9 Taxation

	Group	
	2019	2018
	US$'000	US$'000
Tax expense attributable to profits is made up of:		
Current financial year		
- tax expense	**139**	140
- foreign tax	**13**	9
- deferred tax (Note 15)	**(9)**	(1)
	143	148
Prior financial years		
- (over)/under provision of tax expense	**(41)**	3
- over provision of deferred tax assets (Note 15)	**272**	31
	374	182

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9 Taxation (cont'd)

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 profit before tax due to the following factors:

	Group	
	2019	2018
	US$'000	US$'000
Profit before tax	**3,481**	812
Tax calculated at a tax rate of 17%	**592**	138
Effect of different tax rates in other countries	**108**	(159)
Expenses not deductible for tax purposes	**75**	270
Income not subject to tax	**(63)**	(181)
Tax exemption and rebates	**(48)**	–
Disregarded tax losses	**60**	–
(Utilisation of)/increase in unrecognised deferred tax assets	**(530)**	173
Under provision of tax expense in prior financial years	**(41)**	3
Over provision of deferred tax assets in prior financial years	**272**	31
Others	**(51)**	(93)
	374	182

Unrecognised deferred tax assets

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

	Group	
	2019	2018
	US$'000	US$'000
Tax losses and capital allowances carry forward	**2,895**	3,354
Impairment allowance for trade receivables and finance lease receivables	**957**	1,028
	3,852	4,382

At balance sheet date, the Group and the Company had unutilised tax losses and unabsorbed capital allowances as follows:

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Unutilised tax losses	**22,658**	25,777	**–**	–

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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10 Profit per share

	Group	
	2019	2018
Profit after tax attributable to equity holders of the Company (US$'000)	**2,533**	1,481
Number of ordinary shares in issue for basic earnings per share ('000)	**58,479**	58,479
Basic and diluted earnings per share (US cents)	**4.33**	2.53

Basic and diluted earnings per share is calculated by dividing profit net of tax attributable to owners of the Company by the number of ordinary shares in issue during the financial year.

11 Property, plant and equipment

	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								
2019								
Cost								
At 1.1.2019	926	1,160	2,263	140	1,963	1,973	6,493	14,918
Effect of adopting SFRS(I) 16	–	–	1,928	–	–	289	204	2,421
Restated as at 1.1.2019	926	1,160	4,191	140	1,963	2,262	6,697	17,339
Additions	–	–	579	44	51	101	1,176	1,951
Disposals	–	–	–	–	(53)	(23)	(182)	(258)
Derecognition of right-of-use assets	–	–	(376)	–	–	(45)	–	(421)
Written off	–	–	–	–	(136)	(72)	–	(208)
Exchange difference	–	–	(8)	1	4	(13)	85	69
At 31.12.2019	**926**	**1,160**	**4,386**	**185**	**1,829**	**2,210**	**7,776**	**18,472**

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11 Property, plant and equipment (cont'd)

	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								
2019								
Accumulated depreciation and impairment losses								
At 1.1.2019	–	291	1,057	128	1,746	1,849	3,998	9,069
Effect of adopting SFRS(I) 16	–	–	597	–	–	68	66	731
Restated as at 1.1.2019	–	291	1,654	128	1,746	1,917	4,064	9,800
Depreciation charge	–	41	842	20	122	152	738	1,915
Disposals	–	–	–	–	(47)	(21)	(80)	(148)
Derecognition of right-of-use assets	–	–	(195)	–	–	(16)	–	(211)
Written off	–	–	–	–	(136)	(72)	–	(208)
Exchange difference	–	–	(10)	1	2	(10)	48	31
At 31.12.2019	**–**	**332**	**2,291**	**149**	**1,687**	**1,950**	**4,770**	**11,179**
Net carrying value								
At 31.12.2019	**926**	**828**	**2,095**	**36**	**142**	**260**	**3,006**	**7,293**
2018								
Cost								
At 1.1.2018	926	1,160	2,295	121	1,915	2,001	6,293	14,711
Additions	–	–	–	20	126	46	366	558
Disposals	–	–	–	–	(23)	(5)	(34)	(62)
Exchange difference	–	–	(32)	(1)	(55)	(69)	(132)	(289)
At 31.12.2018	926	1,160	2,263	140	1,963	1,973	6,493	14,918
Accumulated depreciation and impairment losses								
At 1.1.2018	–	248	1,022	113	1,709	1,858	3,643	8,593
Depreciation charge	–	43	61	15	109	61	465	754
Disposals	–	–	–	–	(23)	(5)	(31)	(59)
Exchange difference	–	–	(26)	–	(49)	(65)	(79)	(219)
At 31.12.2018	–	291	1,057	128	1,746	1,849	3,998	9,069
Net carrying value								
At 31.12.2018	926	869	1,206	12	217	124	2,495	5,849

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11 Property, plant and equipment (cont'd)

a) Bank borrowings are secured by the leasehold properties of the Group with a net carrying value of US$1,069,000 (2018: US$1,101,000) (Note 25).

b) At 31 December 2019, the net carrying value of motor vehicles under the Group acquired under hire purchase agreements amounted to US$1,857,000 (2018: US$2,198,000) (Notes 23 and 22).

c) Net cash outflow from additions of property, plant and equipment are as follows:

	Group	
	2019	2018
	US$'000	US$'000
Aggregate cost of property, plant and equipment acquired	**1,951**	558
Less: Additions of right-of-use assets	**(1,231)**	–
Less: Additions under finance lease	**–**	(261)
Less: Amount accrued as liability	**(66)**	–
Net cash outflow for purchase of property, plant and equipment	**654**	297

d) Right-of-use assets included in property, plant and equipment are disclosed below:

	Leasehold office units US$'000	**Furniture fixtures & fittings US$'000**	**Motor vehicles US$'000**	**Total US$'000**
Group				
2019				
Cost				
At 1.1.2019	–	–	–	–
Recognition of right-of-use asset on initial application of SFRS(I) 16	1,928	289	204	2,421
Finance lease assets previously capitalised under SFRS(I) 1-17	–	–	3,180	3,180
Cost at 1.1.2019, restated	1,928	289	3,384	5,601
Additions	579	37	615	1,231
Disposals	–	–	(52)	(52)
Derecognition of right-of-use assets	(376)	(45)	–	(421)
Exchange difference	1	–	28	29
At 31.12.2019	**2,132**	**281**	**3,975**	**6,388**

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11 Property, plant and equipment (cont'd)

d) Right-of-use assets included in property, plant and equipment are disclosed below (cont'd):

	Leasehold office units US$'000	Furniture fixtures & fittings US$'000	Motor vehicles US$'000	Total US$'000
Group				
2019				
Accumulated depreciation				
At 1.1.2019	–	–	–	–
Recognition of right-of-use asset on initial application of SFRS(I) 16	597	68	66	731
Finance lease assets previously capitalised under SFRS(I) 1-17	–	–	982	982
At 1.1.2019, restated	597	68	1,048	1,713
Additions	781	96	550	1,427
Disposals	–	–	(16)	(16)
Derecognition of right-of-use assets	(195)	(16)	–	(211)
Exchange difference	(2)	1	13	12
At 31.12.2019	**1,181**	**149**	**1,595**	**2,925**
Net carrying amount				
At 1.1.2019, restated	1,331	221	2,336	3,888
At 31.12.2019	951	132	2,380	3,463

12 Investments in subsidiaries

	Company 2019 US$'000	2018 US$'000
Unquoted equity shares, at cost	**10,000**	10,000
Amount due from subsidiary	**4,663**	4,663
	14,663	14,663

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 Investments in subsidiaries (cont'd)

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	
				2019	2018
				%	%
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 and aircraft engines	Singapore	**100**	100
Held by A-Sonic Logistic Solutions Pte. Ltd.					
#	Airocean Group Pte. Ltd.	Dormant	Singapore	**100**	100
*	A-Sonic SCM Private Limited	Investment holding and logistics related activities	Singapore	**100**	100
Held by Airocean Group Pte. Ltd.					
*	A-Sonic Cargoplus Private Limited (1)	Transportation and airport ground services	Singapore	**–**	100
Held by A-Sonic SCM Private Limited					
*	A-Sonic Logistics Pte. Ltd.	Logistics	Singapore	**100**	100
Held by A-Sonic Logistics Pte. Ltd.					
#	A-Sonic Logistics (Korea) Co., Ltd	Logistics	Korea	**100**	100
**	A-Sonic Cargoplus (Malaysia) Sdn. Bhd.	Logistics	Malaysia	**100**	100

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 Investments in subsidiaries (cont'd)

a) Details of subsidiaries (cont'd):

	Name of company	Principal activities	Country of incorporation and operation	Group's effective equity holding 2019 %	2018 %
	Held by A-Sonic Logistics Pte. Ltd. (cont'd)				
#	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**	100
***	A-Sonic Logistics (Vietnam) Company Limited	Logistics	Vietnam	**100**	100
***	A-Sonic Express Logistics (India) Private Limited	Logistics	India	**90**	90
**	A-Sonic Logistics (Malaysia) Sdn. Bhd.	Logistics	Malaysia	**100**	100
**	A-Sonic Logistics (H.K.) Limited	Logistics	Hong Kong S.A.R, The People's Republic of China ("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 (R.O.C) Co. Ltd	Logistics	Republic of China	**100**	100
#	A-Sonic Logistics (UK) Ltd	Logistics	United Kingdom	**51**	51
*	A-Sonic Cargoplus Private Limited (1)	Transportation and airport ground services	Singapore	**100**	–

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 Investments in subsidiaries (cont'd)

a) Details of subsidiaries (cont'd):

	Name of company	Principal activities	Country of incorporation and operation	Group's effective equity holding 2019 %	2018 %
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 Ltd	Logistics	PRC	**100**	100
Held by UBI Logistics Limited					
**	UBI Logistics (China) Limited	Freight forwarding	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 (2)	Logistics	Australia	**38**	38
#	CALS Logistics, Inc.	Logistics	Canada	**51**	51
#	Ultra Air Cargo, Inc.	Logistics	USA	**51**	51

Notes:

(1) In 2019, Airocean Group Pte. Ltd. transferred its interest in A-Sonic Cargoplus Private Limited to A-Sonic Logistics Pte. Ltd..

(2) The Group's subsidiary, UBI (HK) International Limited has a direct interest of 75% equity interest in UBI Logistics (Australia) Pty Ltd and management considers it a subsidiary as the Group has effective control over it.

Not required to be audited for the financial year ended 31 December 2019 by law of country of incorporation.

* Audited by Baker Tilly TFW LLP.

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

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 Investments in subsidiaries (cont'd)

a) Details of subsidiaries (cont'd):

Notes (cont'd):

*** Audited by other professional firms as follows:

Name of subsidiary	Name of auditors
A-Sonic Logistics (Vietnam) Company Limited	U & I Auditing Company Limited
A-Sonic Express Logistics (India) Private Limited	Balakrishna and Co.
A-Sonic Logistics (China) Company Ltd	Shanghai Victor Voyage Certified Public Accountants Co., Ltd
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 2019 %	2018 %
UBI Logistics (China) Limited	PRC	**49**	49
UBI Logistics (Australia) Pty Ltd	Australia	**62**	62
UBI Logistics (HK) Limited	Hong Kong S.A.R, PRC	**49**	49

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.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 Investments in subsidiaries (cont'd)

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

Summarised Balance Sheets

	UBI Logistics (China) Limited		UBI Logistics (Australia) Pty Ltd		UBI Logistics (HK) Limited	
	2019	2018	**2019**	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Non-current assets	**375**	342	**59**	287	**11**	5
Current assets	**22,873**	33,059	**2,921**	2,064	**7,132**	9,347
Non-current liabilities	**(63)**	–	**(5)**	–	**–**	–
Current liabilities	**(21,888)**	(32,331)	**(4,597)**	(3,564)	**(8,964)**	(11,821)
Net assets/(liabilities)	**1,297**	1,070	**(1,622)**	(1,213)	**(1,821)**	(2,469)
Net assets/(liabilities) attributable to NCI	**636**	524	**(1,006)**	(752)	**(892)**	(1,210)

Summarised Income Statements

	UBI Logistics (China) Limited		UBI Logistics (Australia) Pty Ltd		UBI Logistics (HK) Limited	
	2019	2018	**2019**	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Revenue	**119,416**	123,766	**7,886**	14,162	**19,652**	20,692
Profit/(loss) before tax	**1,143**	(1,497)	**(147)**	16	**315**	(141)
Income tax (expense)/refund	**–**	–	**(272)**	(11)	**–**	–
Profit/(loss) after tax from continuing operations	**1,143**	(1,497)	**(419)**	4	**315**	(141)
Total comprehensive income/(loss)	**1,143**	(1,497)	**(419)**	4	**315**	(141)
Profit/(loss) allocated to NCI	**560**	(733)	**(260)**	3	**154**	(69)

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 Investments in subsidiaries (cont'd)

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

Summarised Cash Flows

	UBI Logistics (China) Limited		UBI Logistics (Australia) Pty Ltd		UBI Logistics (HK) Limited	
	2019	2018	**2019**	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Cash flows (used in)/from operating activities	**3,626**	(3,684)	**925**	(2,078)	**515**	(344)
Cash flows used in investing activities	**(46)**	(47)	**(7)**	(11)	**1**	(51)
Cash flows (used in)/from financing activities	**(7,578)**	3,651	**(82)**	–	**(46)**	(157)
Net (decrease)/increase in cash and cash equivalents	**(3,998)**	(80)	**836**	(2,089)	**470**	(552)

13 Investments in associated companies

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

	Group	
	2019	2018
	US$'000	US$'000
Carrying amounts:		
Silver Express International Ltd	**1,140**	1,410
Other associated companies	**91**	117
	1,231	1,527
Less: Reclassified to non-current asset held for sale (Note 21)	**(1,140)**	–
	91	1,527

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13 Investments in associated companies (cont'd)

Details of associated companies are:

	Name of company	Principal activities	Country of incorporation and operation	Group's effective equity holding 2019 %	2018 %
	Held by A-Sonic Logistics Pte. Ltd.				
#	A-Sonic Logistics (Thailand) Co., Ltd	Logistics	Thailand	**49**	49
**	A-Sonic Customs Broker Services (Malaysia) Sdn. Bhd.	Customs clearance	Malaysia	**49**	49
***	A-Sonic Logistics Lanka (Private) Limited	Logistics	Sri Lanka	**40**	40
#	A-Sonic Logistics (Middle East) LLC	Logistics	United Arab Emirates	**49**	49
***	Silver Express International Ltd	Cargo ground handling services	Hong Kong S.A.R, PRC	**–**	40

Notes:

\# Not required to be audited for the financial year ended 31 December 2019 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	Shinewing (HK) CPA Limited
A-Sonic Logistics Lanka (Private) Limited	De Zoysa Associates

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13 Investments in associated companies (cont'd)

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:

	2019	2018
	US$'000	US$'000
Revenue	**17,490**	18,886
Profit after tax from continuing operations	**585**	2,389
Total comprehensive income	**585**	2,389
Dividend received from an associated company	**517**	246
Non-current assets	**1,567**	1,565
Current assets	**4,083**	4,536
Non-current liabilities	**(144)**	(155)
Current liabilities	**(2,656)**	(2,421)
Net assets	**2,850**	3,525
Group's share of net assets based on proportion of ownership interest	**1,140**	1,410
Less: Reclassified to non-current asset held for sale (Note 21)	**(1,140)**	–
Carrying amount of investment	**–**	1,410

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

	2019	2018
	US$'000	US$'000
(Loss)/profit after tax from continuing operations	**(22)**	374
Total comprehensive (loss)/profit	**(22)**	374

The Group has not recognised its share of profit of certain associated companies totalling US$6,000 (2018: US$80,000) during the financial 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$694,000 (2018: US$617,000).

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14 Fair value through other comprehensive income

	Group	
	2019	2018
	US$'000	US$'000
Unquoted equity shares, at fair value	**99**	98

15 Deferred tax assets

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

	At 1.1.2018	Reversal	Exchange difference	At 31.12.2018	**(Addition)/ Reversal**	**Exchange difference**	**At 31.12.2019**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Deferred tax assets							
Unabsorbed tax losses	(336)	30	29	(277)	**263**	**5**	**(9)**
Amount recognised in consolidated statement of profit or loss (Note 9)		30			**263**		

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.

16 Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables	**27,275**	33,812	**–**	–
Finance lease receivables	**–**	–	**–**	–
Payment of custom duties and freight recoverable from customers	**681**	924	**–**	–
Advance payment to suppliers	**569**	964	**–**	–
Deposits	**2,758**	2,606	**–**	–
Prepayments	**452**	460	**5**	6
GST/VAT receivables	**214**	94	**–**	–
Other receivables	**789**	676	**–**	–
	32,738	39,536	**5**	6

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16 Trade and other receivables (cont'd)

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

	Group	
	2019	2018
	US$'000	US$'000
At beginning of financial year	**3,657**	3,638
Loss allowance measured/(reversed):		
Lifetime ECL		
- simplified approach (Note 8)	**115**	362
- write-back (Note 5)	**(29)**	(11)
	86	351
Receivables written off as uncollectable	**(673)**	(214)
Exchange difference	**(13)**	(118)
At end of financial year	**3,057**	3,657

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

	Group	
	2019	2018
	US$'000	US$'000
At beginning of financial year	**906**	1,002
Additions (Note 8)	**–**	102
Write-back (Note 5)	**(4)**	–
Written off	**–**	(188)
Exchange difference	**4**	(10)
At end of financial year	**906**	906

c) Included in deposits are amounts placed with airlines and agents amounting to US$2,228,000 (2018: US$2,066,000) as security for services rendered.

d) Lease receivables

	Group	
	2019	2018
	US$'000	US$'000
Finance lease receivables	**–**	6,421
Lease receivables	**6,421**	–
Less: Impairment allowance	**(6,421)**	(6,421)
	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17 Contract assets and contract liabilities

The Group receives payments from customers based on a billing schedule as established in contracts. Contract assets relate to the Group's rights to consideration for services rendered but not billed at the reporting date on the Group's services. Contract liabilities relate to advance consideration received from customers, billings in excess of revenue recognised to-date and deferred revenue. Contract liabilities are recognised as revenue as (or when) the Group satisfies the performance obligations under its contracts.

The following table provides information about contract assets and contract liabilities from contracts with customers.

	2019	2018	1.1.2018
	US$'000	US$'000	US$'000
Trade receivables from contracts with customers	**27,275**	33,812	32,598
Contract assets	**556**	–	–
Contract liabilities	**146**	–	–

Contract assets increased significantly as the Group provided more services ahead of the billing dates.

Contract liabilities increased significantly due to a contract for which the Group billed and received consideration ahead of rendering of service.

18 Due from/(to) subsidiaries - Company

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured, interest-free and are repayable on demand, except for the amounts due from subsidiary of US$746,000 (2018: US$520,000) which bear interest rates at 3.1% (2018: 3.11342%) per annum.

19 Due from associated companies

	Group	
	2019	2018
	US$'000	US$'000
Due (to)/from:		
Trade	**(10)**	(122)
Non-trade	**886**	1,040
Less: Impairment allowance	**(692)**	(660)
	184	258

Non-trade amounts due from associated companies are unsecured, interest-free and repayable on demand, except for an amount of US$87,000 in 2018 which bore interest rates at 4% per annum.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19 Due from associated companies (cont'd)

Movements of impairment allowance are as follows:

	Group	
	2019	2018
	US$'000	US$'000
At beginning of financial year	**660**	662
Additions (Note 8)	**13**	11
Exchange difference	**19**	(13)
At end of financial year	**692**	660

20 Cash and cash equivalents

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Bank and cash balances	**19,901**	23,518	**8,983**	11,278
Fixed deposits	**955**	955	**–**	–
Total cash and cash equivalents	**20,856**	24,473	**8,983**	11,278
Less: Bank and fixed deposits pledged to secure banking facilities	**(378)**	(205)		
Cash and cash equivalents per consolidated statement of cash flows	**20,478**	24,268		

Bank deposits of the Group amounting to US$12,146,000 (2018: US$18,596,000) and of the Company amounting to US$8,971,000 (2018: US$11,256,000) earn interests at variable rates ranging from 0.01% to 0.3% (2018: 0.05% to 2.63%) per annum, and at 1.6% (2018: 2.63%) 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 0.1% to 1.74% (2018: 0.2% to 2.4%) per annum.

Bank and fixed deposits amounting to US$378,000 (2018: US$205,000) are pledged to a bank as security for the issuance of banker guarantees to airlines.

21 Non-current asset held for sale

	Group	
	2019	2018
	US$'000	US$'000
Carrying amounts:		
Silver Express International Ltd (Note 13)	1,140	–

The Group's 40% equity investment in an associated company, Silver Express International Ltd ("SE") in Hong Kong S.A.R., PRC, has been presented as a "Non-current asset held for sale" after the shareholders of the Company passed a resolution at an extraordinary general meeting on 30 December 2019 to divest the Group's investment in SE (Note 37).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22 Finance lease liabilities

As stated in Note 2(a), finance lease liabilities at 1 January 2019 were reclassified to lease liabilities on adoption of SFRS(I) 16.

For year 2018, the effective interest rate per annum on the finance leases ranges between 2.46% to 3.66%.

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

	Group	
	Minimum lease payments US$'000	Present value of lease payments US$'000
2018		
Not more than one year	687	659
Later than one year but not later than five years	599	578
	1,286	1,237
Less: Future finance charges	(49)	–
Present value of finance lease liabilities	1,237	1,237

The finance lease liabilities are analysed as follows:

Not more than one year	659
Later than one year but not later than five years	578
	1,237

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Group
	2018 US$'000
At beginning of financial year	1,559
Changes from financing cash flows:	
- repayment	(616)
- interest paid	(38)
Non-cash changes:	
- interest expense	38
- new finance lease	261
Exchange differences	33
At end of financial year	1,237

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23 Lease liabilities

	Group 2019 US$'000
The lease liabilities are analysed as follows:	
Not more than one year	1,370
Later than one year but not later than five years	874
	2,244
Effective interest rate per annum	4.64%

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Group 2019 US$'000
Balance at 1 January 2019	–
Reclassified from finance lease liabilities	1,237
Effect of adopting SFRS(I) 16	1,758
Restated as at 1 January 2019	2,995
Changes from financing cash flows:	
- repayment	(1,836)
- interest paid	(119)
Non-cash changes:	
- interest expense	119
- new lease liabilities during the financial year	1,231
- termination of lease liability during the financial year	(226)
Exchange differences	80
At end of financial year	2,244

Information on leases are disclosed in Note 31.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24 Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**19,514**	22,121	**–**	–
Other payables	**934**	2,944	**21**	6
Accrued operating expenses	**3,550**	3,675	**212**	272
Custom duties and freight received in advance from customers	**3,487**	13,623	**–**	–
Advance from a director/shareholder of a subsidiary	**2,692**	1,057	**–**	–
	30,177	43,420	**233**	278

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

25 Bank borrowings

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Secured				
Money market loans	**1,783**	1,924	**–**	–
Revolving loans	**2,502**	2,250	**2,502**	2,250
	4,285	4,174	**2,502**	2,250

Money market loans of US$1,783,000 (2018: US$1,924,000) for the Group are covered by corporate guarantee given by the Company.

In 2019, money market loans of US$1,783,000 are also secured by a first deed of debenture incorporating a floating charge over receivables of the logistics services of a wholly owned subsidiary amounting to US$4,104,000.

In 2018, money market loans of US$1,924,000 were secured by a first deed of debenture incorporating a floating charge over receivables of the logistics services of the Group amounting to US$38,185,000.

Revolving loans of the Group and Company amounting to US$2,502,000 (2018: US$2,250,000) are secured on the leasehold property of the Group.

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

a) Money market loans - 3.40% (2018: 3.48%)
b) Revolving loans - 3.10% (2018: 3.11%)

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25 Bank borrowings (cont'd)

Reconciliation of movements of bank borrowings to cash flows arising from financing activities:

	Group	
	2019	2018
	US$'000	US$'000
At beginning of financial year	**4,174**	4,298
Changes from financing cash flows:		
- proceeds	**218**	322
- repayment	**(165)**	(350)
- interest paid	**(156)**	(200)
Non-cash changes		
- interest expense	**156**	200
Exchange differences	**58**	(96)
At end of financial year	**4,285**	4,174

26 Provisions for liabilities

	Group	
	2019	2018
	US$'000	US$'000
At beginning of the financial year	**265**	270
Write back (Note 5)	**–**	(5)
At end of financial year	**265**	265

The provisions for liabilities comprise mainly legal costs for both 2019 and 2018.

27 Share capital

	Group and Company 2019 and 2018	
	No. of shares	**US$'000**
Issued and fully paid capital		
At beginning and end of financial year	**58,479,296**	**51,758**

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.

28 Contingent liabilities

At the balance sheet date, corporate guarantee given by the Company to a bank for facilities issued by the bank to the Company's subsidiary amounted to US$5,000,000 (2018: US$8,522,000).

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29 Commitments

Lease commitments - where the Group is a lessee

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

	Group
	2018
	US$'000
Not later than one financial year	588
Later than one financial year but not later than five financial years	728
More than five financial years	1
	1,317

At 31 December 2018, the leases for rental of office premises, office equipment and machinery have remaining unexpired terms between 5 months to 63 months.

As disclosed in Note 2(a), the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheets as at 1 January 2019, except for short term leases and low value assets leases.

30 Dividends

For the financial year ended 31 December 2018, the directors have proposed a final tax exempt (one-tier) dividend of 1 Singapore cent per share totalling approximately US$432,000, which have been approved by shareholders at the Annual General Meeting that was convened in 2019.

The amount of US$432,000 have been accounted for in the shareholders' equity as an appropriation of 2018 profit in the financial year ended 31 December 2019.

The directors have proposed a final tax exempt (one-tier) dividend of 1 Singapore cent per share totalling approximately US$434,000 for the financial year ended 31 December 2019, subject to approval by shareholders at the Annual General Meeting to be convened.

These financial statements do not reflect these dividends payable, which if approved at the Annual General Meeting of the Company, will be accounted for in the shareholders' equity as an appropriation of 2019 profit in the financial year ending 31 December 2020.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31 Leases

The Group as a lessee

Nature of the Group's leasing activities

The Group's leasing activities comprise the following:

i) The Group leases leasehold office units, furniture fixtures and fittings and motor vehicles from non-related parties. The leases have tenure of between 2 to 5 years;

ii) The Group has made an upfront payment to secure the right-of-use of 2 years leasehold office units, which is used as the Group's offices and classified within property, plant and equipment; and

iii) In addition, the Group leases certain furniture fixtures and fittings and motor vehicles with contractual terms of 6 months to 5 years. These leases are short-term and low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The maturity analysis of the lease liabilities is disclosed in Note 33(b).

Information about leases for which the Group is a lessee is presented below:

Amounts recognised in profit or loss

	2019 US$'000
Depreciation charge for the financial year	
Leasehold office units	781
Furniture fixtures and fittings	96
Motor vehicles	550
	1,427
Interest expense on lease liabilities	119
Lease expense not included in the measurement of lease liabilities	
Lease expense - short term leases	311
Lease expense - low value assets leases	147
Total (Note 8)	458

Total cash flow for leases amounted to US$2,413,000.

As at 31 December 2019, the Group has committed to US$139,000 for short-term leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32 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:

	2019	2018
	US$'000	US$'000
With associated companies		
- Services rendered	**267**	392
- Interest income	**2**	6
- Management and administrative fee income	**37**	25
- Freight charges	**(586)**	(449)

33 Financial instruments

a) Categories of financial instruments

Financial instruments as at balance sheet date are as follows:

	Group		**Company**	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Financial assets				
Fair value through profit or loss	**99**	98	**–**	–
Financial assets at amortised cost	**52,523**	62,729	**11,588**	13,640
Financial liabilities				
Total financial liabilities at amortised cost	**36,179**	48,365	**6,219**	8,662

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 and liquidity 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Interest rate risk

The Group's exposure to changes in interest rate risk arises primarily from the Group's debt obligations disclosed in Note 25. 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.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored by the management.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses ("ECL"):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 30 days past due or where there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
Contractual payments are more than 90 days past due or there is evidence of credit impairment	Lifetime ECL - credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- 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;
- an actual or expected significant deterioration in the operating results/key financial performance ratios of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor'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.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Definition of default

The Group considers information (developed internally or obtained from external sources) that the debtor is unlikely to pay its creditors, including the Group, in full, as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet this criteria are generally not recoverable.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

At the balance sheet date, the Group and Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised on the balance sheet and the amount of US$5,000,000 (2018: US$8,522,000) relating to corporate guarantees given by the Company to a bank for a subsidiary's bank facilities.

There are no significant concentration of credit risks for the Group. Other than amounts due from subsidiaries (Note 18) and corporate guarantees as stated above, there are no significant concentration credit risks for the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Estimation techniques and significant assumptions (cont'd)

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

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
By geographical areas				
Asia	**24,340**	30,819	**–**	–
Others	**2,935**	2,993	**–**	–
	27,275	33,812	**–**	–
By types of customers				
Third parties	**27,275**	33,812	**–**	–

Trade receivables, contract assets and other financial assets at amortised cost

The movements in credit loss allowance for trade receivables are disclosed in Note 16.

The Group has applied the simplified approach in SFRS(I) 9 to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

The contract assets relate to services rendered but not billed, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Trade receivables and contract assets that shared the same credit risk characteristics and days past due are grouped together in measuring the expected credit losses.

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions affecting the ability of the customers to settle the receivables.

There has been no change in the estimation techniques or significant assumptions made during the current financial year.

The Group has recognised a loss allowance of 100% against all trade receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable. There are no significant credit loss for trade receivables less than 120 days as historical evidence indicates that these customers will repay their debts. A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Trade receivables, contract assets and other financial assets at amortised cost (cont'd)

The table below details the credit quality of the Group and Company's financial assets and contract assets:

Group 2019	**12-month or lifetime ECL**	**Gross carrying amount US$'000**	**Loss allowance US$'000**	**Net carrying amount US$'000**
Trade receivables	Lifetime ECL	**30,332**	**(3,057)**	**27,275**
Lease receivables	Lifetime ECL	**6,421**	**(6,421)**	**–**
Other receivables - 3rd parties	Lifetime ECL	**1,675**	**(906)**	**769**
Other receivables (custom duties and freight receivables from customers and deposits)	12-month ECL	**3,439**	**–**	**3,439**
Due from associated companies	12-month ECL	**876**	**(692)**	**184**
Contract assets	Lifetime ECL	**556**	**–**	**556**
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	**20,856**	**–**	**20,856**
2018				
Trade receivables	Lifetime ECL	37,469	(3,657)	33,812
Finance lease receivables	Lifetime ECL	6,421	(6,421)	–
Other receivables - 3rd parties	Lifetime ECL	1,562	(906)	656
Other receivables (custom duties and freight receivables from customers and deposits)	12-month ECL	3,530	–	3,530
Due from associated companies	12-month ECL	918	(660)	258
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	24,473	–	24,473
Company 2019				
Due from subsidiaries	12-month ECL	**2,605**	**–**	**2,605**
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	**8,983**	**–**	**8,983**
2018				
Due from subsidiaries	12-month ECL	2,362	–	2,362
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	11,278	–	11,278

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Financial guarantee

The Company has issued financial guarantees to a bank for bank facilities of its subsidiary (Note 28). These guarantees are subject to the impairment requirements of SFRS (I) 9. The Company has assessed that its subsidiary has the ability to meet the contractual cash flow obligations and does not expect significant credit losses arising from these guarantees.

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			
2019			
Financial liabilities			
Trade and other payables	**29,651**	**–**	**29,651**
Lease liabilities	**1,457**	**920**	**2,377**
Bank borrowings	**4,423**	**–**	**4,423**
2018			
Financial liabilities			
Trade and other payables	42,953	–	42,953
Finance lease liabilities	687	599	1,286
Lease liabilities	–	–	–
Bank borrowings	4,311	–	4,311

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Liquidity risk (cont'd)

	Within 1 year US$'000	Within 2 to 5 years US$'000	Total US$'000
Company			
2019			
Financial liabilities			
Trade and other payables	**233**	**–**	**233**
Bank borrowings	**2,580**	**–**	**2,580**
Due to subsidiaries	**3,514**	**–**	**3,514**
2018			
Financial liabilities			
Trade and other payables	278	–	278
Bank borrowings	2,320	–	2,320
Due to subsidiaries	6,194	–	6,194

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.

	Company One year or less	
	2019 US$'000	2018 US$'000
Financial guarantee contracts	**5,000**	8,522

34 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).

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34 Fair value of assets and liabilities (cont'd)

b) Financial instruments that are carried at fair value

The Group does not have any significant Level 1, Level 2 or Level 3 financial assets or liabilities, other than as disclosed in Note 34(c) below.

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 (except for finance lease liabilities in 2018) 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.

In 2018, the carrying amount of non-current finance lease liabilities approximate their fair value as these financial instruments bear interest rate which approximate the market interest rates at the reporting date. This fair value measurement for disclosure purpose is categorised in Level 3 of the fair value hierarchy.

35 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, return capital to the shareholders and buy back issued shares. The directors of the Company consider that the capital structure of the Group and the Company comprises share capital and reserves. The Group's overall strategy remains unchanged from 2018.

The Group and the Company are in compliance with all externally imposed capital requirement for the financial years ended 31 December 2019 and 2018.

36 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 before tax, interest income and finance costs are measured in a manner consistent with that in the consolidated statement of profit or loss and statement of 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 2019

36 Segment information (cont'd)

Business segments - Group

Reportable segments are as follows:

	Aviation		Logistics		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Turnover from reportable segments	**5,164**	7,760	**199,744**	210,991	**204,908**	218,751
Interest income	**262**	232	**59**	28	**321**	260
Finance costs	**(75)**	(61)	**(200)**	(177)	**(275)**	(238)
Depreciation of property, plant and equipment	**(81)**	(106)	**(1,834)**	(648)	**(1,915)**	(754)
Share of results of associated company	**–**	–	**223**	1,047	**223**	1,047
Taxation expense	**(34)**	(49)	**(340)**	(133)	**(374)**	(182)
Reportable segment profit/(loss)	**97**	1,268	**3,010**	(638)	**3,107**	630
Other material non-cash items						
Impairment allowance for non-trade receivables written back	**–**	–	**(4)**	–	**(4)**	–
Impairment allowance for trade receivables written back	**–**	–	**(29)**	(11)	**(29)**	(11)
Provision for liabilities written back	**–**	–	**–**	(5)	**–**	(5)
Impairment allowance for non-trade receivables	**–**	–	**–**	113	**–**	113
Impairment allowance for trade receivables	**–**	–	**128**	362	**128**	362
Forfeit of deposit received	**(100)**	–	**–**	–	**(100)**	–
Write back of accrued operating expenses	**(122)**	–	**–**	–	**(122)**	–
Segment assets	**12,320**	14,994	**51,964**	58,600	**64,284**	73,594
Expenditure in non-current assets						
Property, plant and equipment	**2**	8	**1,949**	550	**1,951**	558
Segment liabilities	**2,970**	5,249	**34,340**	44,032	**37,310**	49,281

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36 Segment information (cont'd)

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	
	2019	2018
	US$'000	US$'000
The People's Republic of China (including Hong Kong S.A.R)	**148,232**	155,548
Australia	**9,192**	15,222
Other countries	**47,484**	47,981
	204,908	218,751

	Non-current assets for reportable segments	
	2019	2018
	US$'000	US$'000
Singapore	**4,375**	3,297
USA	**2,070**	1,818
Other countries	**939**	2,261
	7,384	7,376

Non-current assets information presented above are non-current assets as presented on the consolidated balance sheet excluding fair value through other comprehensive income and 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 2019 and 2018.

37 Subsequent events

An outbreak of COVID-19 (Coronavirus Disease 2019) had been reported in China on 31 December 2019. At the date of these financial statements, while the outbreak has been most severe in Asia, it has spread to various regions around the world, including Australia, Europe, Middle East and the United States of America. The Group operates in various regions affected by the outbreak. While the full impact to the Group cannot be quantified reliably, the Group's performance subsequent to the balance sheet date is likely to be negatively impacted as a result of regional and global travel restrictions, quarantine and/or illness of employees, loss of customers, supply chain disruptions, and other forms of interruptions to business.

Subsequent to the balance sheet date, the Group completed the divestment of its 40% equity interest in Silver Express International Ltd and was paid the agreed consideration of HK$30,000,000 (equivalent to approximately US$3.8 million) on 5 March 2020.

38 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 2019 were authorised for issue in accordance with a resolution of the directors dated 25 March 2020.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

The following additional information on Ms Janet LC Tan and Mr Yam Mow Lam, each of whom is seeking re-election as a Director at the Annual General Meeting of the Company is provided pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Name of Director	**Janet LC Tan**	**Yam Mow Lam**
Date of first appointment as Director	3 March 2003	29 July 2003
Date of last re-election as a Director	28 April 2017	28 April 2017
Age	59	74
Country of Residence	Singapore	Singapore
The Board's comments on the re-election	Ms Janet LC Tan is the promoter founder and Chief Executive Officer of the Company. 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").	Mr Yam Mow Lam has more than 38 years of public accounting practice. His knowledge and experience in various business sectors are a valuable contribution to the Group.
Whether appointment is executive, and if so, the area of responsibility	Setting the overall long-term business direction, developing business strategies, and implementing growth strategies for the A-Sonic Group.	Non-executive Independent
Job Title	Chairman and Chief Executive Officer	Managing Director
Professional qualifications	Full Technological Certificate for Electrical Engineering Technician from City and Guilds of London Institute	Master of Business Administration (Investment & Finance), University of Hull, UK Fellow of the Institute of Chartered Accountants in England and Wales Practising member of the Institute of Chartered Accountants of Singapore Chartered Valuer and Appraiser of Singapore (NTU)
Working experience and occupation(s) during the past 10 years	Promoter founder and Chief Executive Officer of A-Sonic Group since 2003 to present.	Partner of Robert Yam & Co. from 1977 to 2018 Managing Director of Robert Yam & Co. PAC from 2019 to present.
Shareholding interest in the listed issuer and its subsidiaries	Direct interest of 31,395,764 and deemed interest of 319,833 A-Sonic shares	23,750 A-Sonic shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Sibling of Tan Lay Yong Jenny, who is a Director of the Company.	NIL

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

Name of Director	Janet LC Tan	Yam Mow Lam
Conflict of interest (including any competing business)	NIL	NIL
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships - Past (for the last 5 years)	Chairman and Chief Executive Officer of A-Sonic Group	Bright Vision Hospital (Director)
Disclose the following matters concerning the director : (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

Name of Director	Janet LC Tan	Yam Mow Lam
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

Name of Director	Janet LC Tan	Yam Mow Lam
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

ANALYSIS OF SHAREHOLDINGS

AS AT 16 MARCH 2020

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
Number of Subsidiary Holdings[1]	:	0

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 - 99	1,244	22.81	59,607	0.10
100 - 1,000	2,220	40.70	1,061,895	1.82
1,001 - 10,000	1,691	31.01	5,647,594	9.66
10,001 - 1,000,000	295	5.41	13,551,698	23.17
1,000,001 and above	4	0.07	38,158,502	65.25
TOTAL	**5,454**	**100.00**	**58,479,296**	**100.00**

Note:

1 "Subsidiary Holdings" is defined in the Listing Manual of the Singapore Exchange Securities Trading Limited to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50 of Singapore.

PUBLIC FLOAT

The Company has complied with Rule 723 of the Listing Manual issued by SGX-ST. As at 16 March 2020, approximately 43.12% of the Company's ordinary shares listed on the SGX-ST were held in the hands of the public.

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	% of Issued Share Capital
1	JANET LC TAN	31,395,764	53.69
2	DBS NOMINEES PTE LTD	3,419,006	5.85
3	CITIBANK NOMINEES SINGAPORE PTE LTD	2,275,427	3.89
4	MAYBANK KIM ENG SECURITIES PTE. LTD	1,068,305	1.82
5	UOB KAY HIAN PTE LTD	641,675	1.10
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	519,744	0.89
7	CHUA BOON LEONG	483,500	0.83
8	IRENE TAY GEK LIM	482,800	0.83
9	SIM CHONG YANG	391,700	0.67
10	PHILLIP SECURITIES PTE LTD	379,417	0.65
11	RAFFLES NOMINEES (PTE) LIMITED	343,270	0.59
12	STERLING AIR PRIVATE LIMITED	319,833	0.55
13	TAY WEE MENG	300,008	0.51
14	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	297,210	0.51
15	TEO CHOR KOK	271,666	0.46
16	KOH PECK HOON	259,170	0.44
17	SEAH CHYE ANN (XIE CAI'AN)	218,300	0.37
18	CHIAN SHIAN ANN @ CHIAM YEOW ANN	205,958	0.35
19	OCBC NOMINEES SINGAPORE PTE LTD	195,468	0.33
20	NG SER MIANG	176,545	0.30
	TOTAL	**43,644,766**	**74.63**

SUBSTANTIAL SHAREHOLDER

	Direct interest		Deemed interest		Total	
Name of shareholder	No. of shares	%	No. of shares	%	No. of shares	%
JANET LC TAN	31,395,764	53.69	319,833	0.55	31,715,597	54.24

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