

Issuer: A-Sonic Aerospace Limited

Security: A-Sonic Aerospace Limited

Meeting details:

Date: 27 April 2018

Time: 3.00 p.m.

Venue: 168 Robinson Road, Capital Tower, Level 9 FTSE Room, Singapore 068912

Company Description

A-Sonic Aerospace Limited, an investment holding company, operates in aviation and logistics businesses in Asia, North America, India, and Europe. The company's Aviation segment supplies aircraft systems and components to airlines and aviation maintenance repair organizations; and purchases, upgrades/retrofits, sells, or leases aircraft. Its Logistics segment provides supply chain management services, such as international and domestic multi-modal transportation, warehousing, distribution, and customs clearance; and airport ground services for cargo and transportation services, as well as specialized active and passive packaging solutions. This segment also is also involved in the air cargo general sales agency activities for various international airlines. The company also provides freight forwarding services. A-Sonic Aerospace Limited was incorporated in 2003 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BT)

1. Would the company clarify on its strategic and business plans? Specifically:

- (i) **Aviation:** In the corporate profile, the group shows the “sale, lease and purchase of aircraft and aircraft engines” as activities under its aviation business. The segment only reported revenue of US\$1.16 million or 0.6% of the group’s revenue. There was no finance lease interest income because the aviation business ceased leasing aircraft to third parties in FY 2017. **How core is the aviation segment to the group? Is the group looking to wind down the segment in due course? Please also provide a breakdown of the inventories related to the aviation business.** In FY2016, US\$3.5 million worth of aircraft was transferred from property, plant and equipment to inventories. **Can management let shareholders know what makes up US\$3.5 million in aircraft/inventories? How did the audit committee assessed that the net realisable value of US\$3,272,000?**
- (ii) **Logistics:** In addition, the group operates two sub-business units “A-Sonic Logistics” and “UBI Logistics”. **For the benefit of both new and old shareholders, how are the two sub-business units different and what are their individual key attributes that allow them to compete against other logistics service providers?**

2. In the 2016 Annual Report, it was disclosed that a customer of the aviation business had “indicated that there was a possibility of a full and final settlement of a debt amounting to US\$6,256,000”. The amount had been impaired as the group recognised allowance for doubtful finance lease receivables and trade receivables as at end of FY 2015.

In addition, it was said that the settlement may take in the form of the issuance of new shares of the customer, which is a public company on an emerging stock exchange.

In Note 17(d) (page 77 - Finance lease receivables), it shows that the group still has not reversed the impairment for doubtful debt.

d) Finance lease receivables

	Group	
	2017 US\$'000	2016 US\$'000
Gross receivables	6,421	6,421
Less: Allowance for doubtful receivables	(6,421)	(6,421)
	-	-

(Source: Company annual report)

- (i) **Can management update shareholders on the financial status of the debtor?**
- (ii) **Who is driving the negotiation with the debtor?**
- (iii) **What are the efforts by the group in FY2017 to resolve this long outstanding debt?**
- (iv) **What other recourse is available to the group to collect this outstanding debt?**

3. The remuneration of director is shown in the table on page 16 in the Corporate Governance Report:

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 2017:

Directors	Remuneration band S\$	Fees %	Salaries %	Provident fund %	Bonus %	Allowances/ Benefits %	Total %
Chief Executive Officer ⁽¹⁾	above 500,000	5.9%	81.8%	3.9%	6.4%	2.0%	100.0%
Executive Director ⁽²⁾	250,000 to 500,000	9.7%	67.8%	5.0%	6.4%	11.1%	100.0%
Executive Director ⁽³⁾	250,000 to 500,000	5.0%	76.8%	4.6%	6.4%	7.2%	100.0%
Independent Director ⁽⁴⁾	below 250,000	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Independent Director ⁽⁵⁾	below 250,000	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Independent Director ⁽⁶⁾	below 250,000	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%

(Source: Company annual report)

- (i) Can the remuneration committee (RC) help shareholders understand if it was necessary to disclose the remuneration of the directors in the above manner? How sensitive is the remuneration of the independent directors?**

The company further disclosed that:

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.

- (ii) As the CEO is also the controlling shareholder, would the RC agree that there is low risk of poaching the CEO, and thus the disclosure of the remuneration of the CEO will not harm the interest of the group?**

In Note 7 (page 61 – Staff costs), the amount paid to directors of the company is shown to be US\$951,000, as follows:

7 STAFF COSTS

	Group	
	2017 US\$'000	2016 US\$'000
Key management personnel		
Directors of the Company:		
– Remuneration and related costs	951	955
– Fees	127	118
– Defined contribution plan	47	45

(Source: Company annual report)

- (iii) As the executive directors received US\$951,000 or about S\$1.25 million, it can be estimated that the CEO received between \$500,000 to \$750,000. Would the RC reconsider how the disclosure**

of remuneration of directors could be enhanced to improve transparency on remuneration matters and accountability?