



Securities Investors Association (Singapore)

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Issuer: A-Sonic Aerospace Limited

Security: A-Sonic Aerospace Limited

Meeting details:

Date: 26 April 2019

Time: 3.00 p.m.

Venue: 51 Cuppage Road, #03-03, Oasis 1 & 2, Singapore 229469

Company Description

A-Sonic Aerospace Limited is Singapore-based company, which is engaged in investment holding and providing management services. The Company operates through two segments: Aviation and Logistics. The Company's Aviation segment is engaged in selling, leasing and purchasing of aircraft and aircraft engines. The Logistics business segment is engaged in providing supply chain management services. The Company is engaged in various aspects of logistic solutions, including international and domestic multi-modal transportation, warehousing, distribution, customs clearance and airport ground services. The Company's geographical segments include The People's Republic of China, Australia, the United States of America, Hong Kong and Other countries. The Company operates in approximately 40 cities in over 20 countries in the continents of Asia, North America, Sub-Continent India and Europe. Its subsidiaries include A-Sonic Aviation Solutions Pte. Ltd. and A-Sonic Logistic Solutions Pte. Ltd.

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

1. As noted in the CEO's message, the group returned to a consolidated pre-tax profit, leveraging the profitable showing of (a) the aviation business and (b) the logistics business unit operating under the "A-Sonic Logistics" branding. However, the group's "UBI Logistics" sub-group continues to make losses. For the financial year ended 31 December 2018, the PRC, HK and Australia operations of the UBI sub-group were all loss-making.

- (i) As the material non-controlling interests vary from 49% to 62% in the three subsidiaries, can management help shareholders understand the level of control of these UBI subsidiaries?**
- (ii) Has management reviewed the business model and identify the key value drivers? What is the value proposition to the customers and clients?**
- (iii) Do the UBI subsidiaries have the right management team with the necessary experience and expertise to run the operations profitably? What guidance has the board/management given to these subsidiaries?**
- (iv) Has the board considered if it would be opportune to carry out a strategic review of the UBI sub-group?**

Can the board/management also update on the status of the aircraft leasing customer that had defaulted on the debt of US\$6.256 million in FY2015? What are the efforts by the group to resolve this long outstanding debt? What recourse is available to the group to collect this outstanding debt?

2. The company was put on the financial watch-list on 5 June 2017 due to both the "Financial entry criteria" and the "MTP entry criteria". As disclosed in the announcement dated 2 June 2017, the company would be required to take active steps to meet the requirement of Listing Rule 1314 within 36 months from 5 June 2017, failing which the Exchange would delist the company or suspend trading in the company's shares with a view to delisting the company.

While the company has achieved a consolidated pre-tax profit of US\$812,000 for the financial year ended 31 December 2018 and a 6-month volume weighted average price of \$0.215, the market capitalisation is just \$13.45 million. This is approximately 2/3 below the minimum market capitalisation of \$40 million imposed by the SGX to be considered for removal from the watch-list.

At the last update on 26 February 2019, the company has stated it will continue to improve its operations.

- (i) Would the board update shareholders on the deliberations it has had with regard to exiting the watch-list?**
- (ii) With the latest result, would the company meet the requirements for Rule 1314(1) to exit the watch list due to the financial criteria?**

- (iii) What are the options available to the group given that it has 36 months from 5 June 2017 to meet the MTP exit criteria?**
- (iv) Has the board/management evaluated the cost to the group as a result of it being watch-listed by the exchange?** For instance, the risk of being delisted would negatively impact the share price and this would make fund raising more difficult and more costly. In addition, the company's shares are no longer investable under CPF funds. There might also be reputational risks as suppliers and customers may be concerned with the company's status as a listed company when it is on the watch-list.

3. Mr Yam Mow Lam and Mr Choh Thian Chee Irving were both appointed on 29 July 2003. Accordingly, two of the three independent directors on the board have served the board for more than nine years from the date of their first appointment as director.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

- (i) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (ii) What is the search and nomination process for directors, especially independent directors? How are candidates for directors identified?**
- (iii) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**
- (iv) Other than the appointment of Gurbachan Singh on 29 April 2016, what are the company's other near term plans to refresh the membership of the board to comply with the new 2018 Code in good time?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=A-Sonic%20Aerospace%20Ltd&cid=6353,4628>

The company's response could be found here: -----