



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: A-Sonic Aerospace Limited

Stock code: BTJ

Meeting details:

Date: 27 April 2021

Time: 3.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the CEO's message, the logistics business unit performed well in a challenging year, achieving a profit before tax of US\$9.792 million (equivalent to S\$13.485 million) in FY 2020, compared to US\$3.350 million in FY 2019. Net profit attributable to equity holders of the company increased to US\$8.199 million in FY 2020, compared to US\$2.436 million in FY 2019.

In the aviation business, the group is engaged in the sale, lease and purchase of aircraft and aircraft engines. For FY2020, the net loss in the aviation business unit was US\$(1.872) million in FY2020. The revenue and segment profit/(loss) of the aviation segment since FY2013 are shown below:

	Revenue US\$'000	Segment profit/(loss) US\$'000
FY2013	11,864	2,579
FY2014	2,785	599
FY2015	2,389	(8,717)
FY2016	256	(1,518)
FY2017	1,162	(1,409)
FY2018	7,760	1,268
FY2019	5,164	97
FY2020	69	(1,872)

(Source: company annual reports)

- (i) **Can the board help shareholders understand the specific activities that the group carries out in the aviation business? Who are the main customers and where is the operation based at?** It is observed that revenue and profit figures in the past years have been very volatile, with significant dips and increases in several years. **How much of the business is recurring in nature?**
- (ii) **Who is driving the aviation business?**
- (iii) **Does the business have the scale, technical skills and client base to capture long-term value for shareholders?**
- (iv) **How much runway is needed to grow the business into a sustainable and meaningful contributor of revenue and profit for the group?**

Q2. On 1 March 2021, the company announced that the group has net assets attributable to equity holders of the company amounting to \$47.914 million (or US\$36.241 million) as at 31 December 2020; and it has been profitable and paid/declared dividends for the last three financial years, i.e. in FY 2018, FY 2019, and FY 2020.

However, due to the market capitalisation criteria, the company still remains on the SGX watch-list because the average daily market capitalisation of the company is less than \$40 million.

As the company was placed on the watch-list on 5 June 2017, the company had applied and received Singapore Exchange Securities Trading Limited ("SGX-ST")'s approval to extend the cure period to 4 June 2021.

- (i) **Has the board entered into discussions with SGX-ST on extending the cure period or on exiting the watch-list?**
- (ii) **What are the options available to the company to meet the market capitalisation criteria? Is the company compelled to carry out a corporate action to meet the market capitalisation although this might not be in the best interest of shareholders?**
- (iii) **Has the board evaluated the transfer of its listing status from the mainboard to the Catalist?**
- (iv) **Has the uncertainty over the company's listing status affected the group operationally or in a strategic manner?**

Q3. As noted in the corporate governance report, the audit committee (AC) has ensured that the internal audit function is conducted by qualified accountants with audit experience, 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 scope of the internal auditors includes reviewing the company's material internal controls consisting of financial, operational and compliance controls as well as risk management.

For FY2020, the company's internal audit function was carried out by an external independent audit firm. 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.

- (i) **Can the AC identify the service provider used for the internal audit function?**

- (ii) **Can the AC elaborate further on its internal audit workplan? What is the length of the internal audit cycle to cover all the main operations of the group?**
- (iii) **In 2020, which subsidiary was audited by the internal auditors? Can the AC share the main findings by the internal auditors?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
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