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Issuer: A-Sonic Aerospace Limited

Stock code: BTJ

Meeting details:

Date: 26 Apr 2024

Time: 3.00 p.m.

Venue: MND Auditorium, 9 Maxwell Road, Annexe A, MND Complex, Singapore 069112

Q1. In the CEO’s message, it was emphasised that the group experienced significant declines in turnover, with the most pronounced impact originating from the People’s Republic of China (including Hong Kong S.A.R), contributing to 75.9% of the overall decline while turnover from the USA and Canada accounted for 14.8% of the downturn.

For a comprehensive breakdown, please refer to Note 34: Segment Information - Geographical Information (page 92).

Geographical information – Group

Turnover 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	
	2023	2022
	US\$'000	US\$'000
The People’s Republic of China (including Hong Kong S.A.R)	116,082	239,561
United States of America	15,434	38,590
Australia	50,066	49,177
Singapore	22,526	27,555
Other countries	11,919	23,898
	216,027	378,781

(Source: company annual report)

Management has attributed the significant decline in revenue from the PRC to macroeconomic structural challenges, leading to weaker global demand. This, combined with softer freight rates, had a substantial impact on turnover.

- (i) **Could management provide more insight into the company's competitive advantage? What is the value proposition of UBI Logistics (China)? Is the group primarily positioned as a low-cost player?**
- (ii) **What were the key factors that enabled the group's business in Australia to remain resilient?**
- (iii) **Considering the prevailing macro-economic challenges impacting the industry, what strategic initiatives does the board envision to enhance operational and financial performance amidst these constraints?**
- (iv) **Has the board conducted an analysis of geographical and customer concentration risk, and if so, what strategies have been devised to mitigate these risks?**

Q2. Despite experiencing a 42.5% decline in revenue, trade receivables remained relatively high at US\$25.6 million at the end of the reporting period, compared to US\$25.9 million a year ago.

17 Trade and other receivables

	Group			Company	
	2023 US\$'000	31.12.2022* US\$'000	01.01.2022* US\$'000	2023 US\$'000	2022 US\$'000
Trade receivables	25,585	25,881	48,525	-	-
Payment of custom duties and freight recoverable from customers	817	921	822	-	-
Advance payment to suppliers	689	852	1,327	-	-
Deposits	3,330	2,682	2,729	-	-
Prepayments	650	499	422	4	3
GST/VAT receivables	811	1,593	638	-	-
Other receivables	598	650	594	52	54
	32,480	33,078	55,057	56	57

* Reclassified, Note 35.

(Source: company annual report)

Of the total trade receivables amounting to US\$25.6 million, US\$16.5 million is owed by customers based in Asia, while the remaining balance of US\$9.1 million is owed by customers in other regions (page 85).

- (i) **What is the aging profile of the group's trade receivables?**
- (ii) **What are the reasons for the relatively high levels of trade receivables given that turnover has decreased substantially?**
- (iii) **Is there evidence that payments from customers are slower and that the credit conditions are deteriorating?**
- (iv) **What are the reasons for the increase in deposits and prepayments?**

Q3. The company was first placed on the SGX watchlist in June 2017. Following years of concerted efforts, the company successfully exited the SGX watchlist in 2022, marking a significant achievement after five years.

However, despite this milestone, the market capitalisation of the company has declined to \$35.2 million¹. The total share count now stands at 106.69 million shares, following a one-for-four bonus issue in August 2022 and a subsequent one-for-five bonus issue in March 2023.

As at 31 December 2023, total equity attributable to equity holders of the company amounted to US\$45.0 million, or approximately S\$61.4 million at the exchange rate of 1.366. The price-to-book ratio stands at ~0.57 times.

- (i) **How does the board intend to utilise share buybacks to enhance shareholder value and support the company's long-term strategic objectives?**
- (ii) **Separately, could the board outline its strategies to drive the company towards its next growth phase? Are mergers and acquisitions currently under consideration?**
- (iii) **If so, what criteria does the board prioritize when assessing potential investments?**

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

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