A-SONIC AEROSPACE LIMITED
Regn. No. 200301838G

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS BEFORE THE ANNUAL GENERAL MEETING TO BE HELD ON 27 APRIL 2021

The Board of Directors of A-Sonic Aerospace Limited (the "Company") would like to thank shareholders for submitting their questions in advance of our Annual General Meeting ("AGM") to be held by electronic means on 27 April 2021.

Responses to substantial questions received are attached at Appendix 1. We have set out our responses to the questions raised through the following themes:

(i) Aviation Business;
(ii) Logistics Business;
(iii) Dividend;
(iv) Remuneration;
(v) Illiquid Share Trading & Watch List; and
(vi) General;

ISSUED BY ORDER OF THE BOARD

Loo Keat Choon
Joint Company Secretary

26 April 2021

Appendix 1

<table>
<tr><th>Theme</th><th>No.</th><th>Questions</th><th>Responses</th></tr>
<tr><td>Aviation Busines</td><td>A1</td><td>What is the value of inventory (ie aircraft and aircraft engines) that our Company is carrying as at end FY 2020?</td><td>As stated on page 39 of our 2020 Annual Report, the value of our “Inventories” was US$0.902 million as at 31 December 2020.</td></tr>
<tr><td></td><td>A2</td><td>What was the writedown amount in FY 2020?</td><td>We did not write down any inventory in FY 2020. However, we made “Impairment allowance for inventory obsolescence” of US$0.360 million as shown in note 8 on page 64.</td></tr>
<tr><td></td><td>A3</td><td>Did our Company increase any inventory in FY 2020? If so, how much did we add?</td><td>No, the Group did not increase any inventory in FY 2020. This is shown on page 39 of our 2020 Annual Report.</td></tr>
<tr><td></td><td>A4</td><td>What is the 5 year profit/loss track record of the aviation business?</td><td><table><tr><th>Year</th><th>Profit & Loss US$’000</th></tr><tr><td>FY2016</td><td>(1,518)</td></tr><tr><td>FY2017</td><td>(1,409)</td></tr><tr><td>FY2018</td><td>1,268</td></tr><tr><td>FY2019</td><td>97</td></tr><tr><td>FY2020</td><td>(1,872)</td></tr></table></td></tr>
<tr><td></td><td>A5</td><td>Does our Company have the financial strength to be in the aircraft trading business which inevitably will have a downcycle and/or inventory obsolescence?</td><td>Yes, the Group has the financial strength to be engaged in the existing aviation business of purchasing / retrofit / upgrade, and sale of pre-owned aircraft.</td></tr>
<tr><td></td><td>A6</td><td>Can the Audit Committee share what Internal Controls are in place to ensure our Company is not taking excessive risks in Aviation business?</td><td>It is the Group’s internal policy that the management has no authority to transact more than 20% of the value of our Group’s last published consolidated net tangible assets.</td></tr>
<tr><td></td><td>A7</td><td>(i) I refer to Pg 7, COVID-19 Impact, Annual Report, US$1.872 million losses of our aviation business unit – How much of this losses are attributable to operating expenses, impairment and inventory obsolescence and others respectively?

(ii) Could you provide more colour how this occurred? What inventories were these? Could you describe them? Why were they determined to have been obsolete?</td><td>As stated earlier in our response to question A2 above, the “Impairment allowance for inventory obsolescence” in FY2020 was US$0.360 million. The balance of US$1.512 million was substantially operating expenses, including SGX listing expenses.

As disclosed in item (i) on page 51 of our 2020 Annual Report, the “inventories comprised aircraft and aircraft engines.” These are “stated at the lower of cost and net realizable value. Cost is determined on a specific identification basis. Net realizable value is the estimated selling price in the ordinary course of business less selling expenses.”</td></tr>
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Theme	No.	Questions	Responses
Logistics Business	L1	Can management elaborate more about logistics business? What is the difference between A-Sonic and SF Express, DB Schenker, Ninjavan? Are you servicing business or consumer? Shipment by sea, by air?	As disclosed on page 1 of our 2020 Annual Report, our logistics business is 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. We are not in the express courier business, and neither are we a B2C last-mile-service provider in Singapore. Our logistics business is substantially engaged in servicing the business-to-business, or enterprise-to-enterprise model, both by air freight, sea freight, land transportation, and rail where applicable.
	L2	PRC is a highly competitive market where 75% of turnover come from, what is company's competitive advantage or specialties? What kind of measures do management take to keep it efficient and low cost?	Our operation in The People's Republic of China is managed by experienced staff. They have been operating in mainland China for over 20 years. In addition, we have our own offices in more than 10 major gateway cities to provide a wide geographical coverage to serve the needs of our customers. Having our own offices gives us better control over the service standards provided to our customers and we can cross sell our services across different offices. Operating efficiencies and cost control have always been a key focus of our China operations. We centralised backend functions, leverage on technology to automate and streamline processes as much as possible to constantly keep our cost low. Our remuneration structure for our sales staff is also designed for high performance incentive.

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<tr><th>Theme</th><th>No.</th><th>Questions</th><th>Responses</th></tr>
<tr><td></td><td>L3</td><td>From FY2019 to FY2020, non-current asset depreciated USD1.8M. From Capex perspective, what is the estimate budget that company need to allocate to renew or upgrade the logistics facility in FY2021? Do management foresee any major investment or asset acquisition in the company years?</td><td>The breakdown of the “Depreciation Charge” of US$1.8 million was disclosed in note 11 on page 66 of our 2020 Annual Report. For ease of reference, we have reproduced as follows:

<table><tr><th></th><th></th><th>US$’000</th></tr><tr><td>(i)</td><td>Building on freehold land</td><td>41</td></tr><tr><td>(ii)</td><td>Leasehold office units</td><td>796</td></tr><tr><td>(iii)</td><td>Electrical equipment, tools & machinery</td><td>11</td></tr><tr><td>(iv)</td><td>Computer equipment</td><td>82</td></tr><tr><td>(v)</td><td>Furniture, fixtures & fittings</td><td>134</td></tr><tr><td>(vi)</td><td>Motor vehicles</td><td>736</td></tr><tr><td></td><td></td><td>1,800</td></tr></table></td></tr>
<tr><td></td><td>L4</td><td>What is the mix of our Company’s logistics business in terms of air freight and sea freight respectively?</td><td>Our ocean freight comprise approximately 60% of our turnover, and air freight comprise the balance approximately 40%.</td></tr>
<tr><td></td><td>L5</td><td>How is our Company’s business impacted (positively or negatively) by the high sea freight rates? If so, do we continue to see the higher sea freight rate situation to persist?</td><td>A higher sea freight rates generally arises from shortage of capacity. We benefit from our long term business relationship with carriers that give us an edge over other weaker market players during such times, as we are able to secure the capacity from carriers. We are unable to forecast freight rate trends.</td></tr>
<tr><td></td><td>L6</td><td>How is our Company’s business impacted (positively or negatively) by the high air freight rates? If so, do we continue to see the higher air freight rates situation to persist?</td><td>A higher air freight rates generally arises from shortage of capacity. We benefit from our long term business relationship with carriers that give us an edge over other weaker market players during such times, as we are able to secure the capacity from carriers. We are unable to forecast freight rate trends.</td></tr>
<tr><td>Dividend</td><td>D1</td><td>Why did the Board recommend a smaller dividend this FY (0.375 cents vs 1 cents) when our Company is making a higher profit and more importantly the higher bonus/incentive paid to staff?</td><td>Owing to the current prevailing COVID-19 pandemic situation, and the uncertainty as to how protracted the situation would continue into the future. Accordingly, we have decided to adopt a conservative approach in the event of the unexpected adversities in the future.</td></tr>
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Theme	No.	Questions	Responses
	D2	In spite of the company having achieved a very good set of financial performance last year, why was the dividends to shareholders reduced?	Please refer to the response in D1 above.
	D3	Why declare such a low dividend, just about 1/3 of last F/Y dividend when company is so cash rich?	Please refer to the response in D1 above.
	D4	What is the dividend policy of the company?	The Group intends to pay dividend when the Group generates operating profit in that financial year, and provided that: (i) the Group's operating cash flow permits; (ii) having regards to the forseeable growth plan of the Group; and (iii) depending on the prevailing economic and financial market environment.
	D5	(i) Why were dividends to shareholders reduced when the company key management's remuneration increased by more than 70%? (ii) Does the company think that reducing the dividends to shareholders in spite of the company having achieved great financial results, but yet increasing remuneration for key management is consistent with the principle of shareholder alignment?	Please refer to the responses in D1, and R1, R2 and R3 below.

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<tr><th>Theme</th><th>No.</th><th>Questions</th><th>Responses</th></tr>
<tr><td>Remuneration</td><td>R1</td><td>How much was the bonus/incentive part of the $1.2m increase in staff cost?</td><td>In FY2020 compared to FY2019, our “Staff Cost” as announced were as follows:

<table><tr><th></th><th>31 Dec 2020 US$’000</th><th>31 Dec 2019 US$’000</th><th>Change %</th></tr><tr><td>Turnover</td><td>262,928</td><td>204,908</td><td>28.3</td></tr><tr><td>Staff costs</td><td>(17,012)</td><td>(16,935)</td><td>0.5</td></tr><tr><td>Profit before tax</td><td>7,920</td><td>3,481</td><td>127.5</td></tr></table>
“Staff Cost” increased US$0.077 million (0.5%) from US$16.935 million in FY2019 to US$17.012 million in FY2020. In contrast, “Turnover” increased 28.3%,and “Profit before Tax” increased 127.5% over the same comparable period.</td></tr>
<tr><td></td><td>R2</td><td>How much of this bonus/incentive was paid to the 3 Executive Directors?</td><td>The bonus/incentive paid to the three (3) executive directors were in accordance with their respective engagement letter.</td></tr>
<tr><td></td><td>R3</td><td>The upper limit for the remuneration is not disclosed. Is it intentional or an oversight? Please provide the remuneration for the CEO and Executive 1 in bands of 250k.</td><td>The upper limit of the CEO and the Executive 1 on pages 18 and 19 of the 2020 Annual Report were not stated. As disclosed on page 19, “the Board believes that such disclosure is not in the interest of the Company, given the confidentiality and sensitivity nature of the remuneration matter and the highly competitive business environment the Group operates in.”

In this regard, we draw shareholders’ attention to the table disclosed in R1:

(i) “Turnover” grew by 28.3% in FY2020 compared to FY2019;
(ii) “Profit before Tax” grew 127.5% in FY2020 compared to F2019; and
(iii) In contrast, “Staff Cost” increased only 0.5%.</td></tr>
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Theme	No.	Questions	Responses
Illiquid Share Trading & Watch List?	WL1	Other than directors and major shareholders bought share under their own names in recent months, why no share buyback using company fund since company is cash rich and almost debt free?	Firstly, we currently have only 58,479,296 issued ordinary shares. Of this amount, 31,469,364 owned by one single majority shareholder as at 15 March 2021. The available free market float of 25,097,317 shares (42.92%) in our view is too small. Secondly, on 13 June 2017, we had announced the proposal to issue bonus warrants. On 6 July 2017, we announced that SGX had rejected our proposal. Thirdly, on 30 June 2020, we applied to SGX to seek approval for a waiver of Rule 838. The aforesaid listing rule requires that the daily weighted average price adjusted for bonus issue on sub-division of Shares ("adjusted price"), will not be less than S$0.50. On 12 November 2020, we announced that SGX had rejected our application. SGX notified us that they "are unable to grant the Company a waiver in respect of Rule 838 of the Listing Manual in relation to the requiremen fo a daily weighted average price of not less than S$0.50.
	WL2	What more can the company do to improve its share price, and by extension its market capitalisation, to enable it to exit from the SGX Watchlist?	Please refer to our response in WL1 above.

Theme	No.	Questions	Responses
	WL3	(i) Have the company thought about how it can better engage with the investment community, so as to enable them to realise the undervaluation in A-SONIC share price? (ii) Have the company considered engaging the services of an Investor Relations firm to boost the company's profile in the investment community? (iii) Is the company covered by any analyst(s) or brokerage firm (iv) Have the company considered inviting research analysts and brokerage firm representatives to visit the company's facility to enable them to have more insight about the company and boost the company's profile in the investment community?	In this regard, we would like to refer shareholders to our announcement dated 1 March 2021. In particular, we draw your attention to the statement on page 1 of the above said announcement. An extract is reproduced below: "**Despite the above, we remain on the SGX watch list, solely because we have not achieved an average daily market capitalization of S$40 million. In this regard, potential share investors may still stay on the sideline due to concerns with the watch-list status and potential delisting, despite improved financial performance and position. Fund managers and investors are either unable, unwilling, or unlikely, to invest in a Company with the "watch list" stigma."** "… our market capitalization is highly correlated to the liquidity of our share trading price and the market's perception of our value of S$20.468 million as at 1 March 2021, despite our net book value of S$47.914 million as at 31 December 2020."
	WL4	Does the company have a key contact person for shareholders or prospective investors to reach out to? Does the company have an email address that investors can send their questions/queries to, if any?	Our contact details are as shown on our websites. For easy reference, we have reproduced it below: **Investor Contact** **A-Sonic Aerospace Limited** 10 Anson Road #24-07 International Plaza Singapore 079903 +65 6226 2072 +65 6226 2071 corporate@asonic-aerospace.com

Theme	No.	Questions	Responses
	WL5	In the unfortunate event that the company is unable to meet the deadline to exit the SGX Watchlist, what are the options available to the company and shareholders?	Subject to shareholders' approval at an EGM, the options may include the following: (i) Apply to SGX to extend the cure period; (ii) If SGX rejects option (i) above, we may downgrade to Catalist, although in our view this will not resolve the illiquidity of share trading; and are likely to incur unnecessary additional sponsorship expenses; (iii) In the event the company receives a general public takeover offer, the relevant professionals will be engaged to advise the board of directors; or (iv) Delist from SGX, but remain as a public company. The above is not intended to be comprehensive list of options, and is subject to further evaluation.
General	G1	I refer to the point in the CEO's message on Pg 4, FY2020 Annual Report: Second to leverage on qualitative sources of growth with investments in technology and business productivity. – Kindly share more on this point.	Our page 4 of our 2020 Annual Report stated that we stayed resolved to streamline our logistics business to further stabilize our foundation. We centred our efforts on two over-arching strategies: (i) First, for each member entity in our logistics network to operate efficiently, effectively and productivity ;and (ii) Second, to leverage on qualitative sources of growth with investments in technology and business productivity. In this regard, we had aimed to improve on the quality of our earnings stream. We made it our objective towards securing more recurrent income, fee based income, and the quality of our customers.

Theme	No.	Questions	Responses
	G2	It is stated on page 66/Note 11 of AR that the company has some leasehold and freehold properties The freehold land is carried at USD 926k The building on the freehold land is carried at USD 787k The leasehold office units are carried at USD 1.718 million Where is the freehold land located? What is the size and dimension of the freehold land? Could you please provide more information on the size and dimension of the building located on the freehold land? How many storeys is the building? What is the dimension/ sq feet ? What is the plot ratio? Regarding the leasehold office units, where are the leasehold office units located? When do the lease for the leasehold office units run out? How many leasehold office units do we own? What is the dimension/ sq feet for the leasehold office units? As these properties are significantly undervalued, given that it is carried at cost less depreciation, have the company conducted a valuation exercise to determine the market value of these properties?	The Group owns four (4) properties, all of which are for own use: (i) A freehold land with warehouse cum office premise is located in USA. This property is approximately 14,000 square feet; (ii) An office unit located in Singapore. This is a leasehold property which is approximately 3,800 square feet; and (iii) An office unit located in The People's Republic of China. Our subsidiary has the right-to-use of land. This office unit is approximately 4,700 square feet. Our accounting policy on "Property, plant and equipment" is stated in item (g) on page 50 of our 2020 Annual Report. These properties are for own use to conduct our business.