



A-SONIC AEROSPACE LIMITED
Regn. No. 200301838G

RESPONSE TO SGX QUERIES

The Board of Directors of A-Sonic Aerospace Limited (the “**Company**”) wishes to announce that Singapore Exchange Securities Trading Limited (“**SGX-ST**”) raised the following queries on 25 August 2022 in relation to the Company’s and its subsidiaries’ (the “**Group**”) financial results for the first six (6) months ended 30 June 2022 (“**1H 2022**”):

a) **SGX Query**

It is noted that no amount is recorded for inventory for 1H 2022 as compared to US\$0.902 million during 1H 2021. Please explain the reason(s) for the decrease in inventories.

Company’s response

We did not have any inventory in 1H 2022 because we had sold our aircraft. This was indicated in:

- (i) paragraph (i) under the section entitled “Revenue” “1H 2022 v 1H 2021” on page 13 of our 1H 2022 results announcement; and
- (ii) paragraph (ii) under the section entitled “Net Profit Attributable to Equity Holders of the Company” “1H 2022 v 1H 2021”.

In contrast, in the first six (6) months of 2021 (“**1H 2021**”), we were then still carrying the inventory.

b) **SGX Query**

Please explain why interest income amounted to only US\$32,000 during the 1H 2021 when the Company has significant cash and bank balance amounting to US\$48.993 million as at 30 June 2022.

Company’s response

Our “Cash and bank balances” of US\$48.993 million as at 30 June 2022 included: (i) Cash deposits at bank; and (ii) Operating working capital cash. The operating working capital cash is for the daily deployment to conduct our logistics business in 29 cities that we operate in, and spanning 16 countries.

“Interest income” received in 1H 2022 amounted to US\$32,000, despite a “Cash and bank balances” of US\$48.993 million as at 30 June 2022, because “Interest income” was received only on monies deposited in interest-bearing bank account.

As disclosed in the “Condensed Interim Consolidated Statements of Cash Flows” at page 3 of our 1H 2022 results announcement, “interest received” in 1H 2022 was US\$32,000, compared to US\$13,000 in 1H 2021. The increase in 1H 2022 to US\$32,000 compared to US\$13,000 in 1H 2021, was largely two-fold: (i) the higher average interest rate for monies deposited in interest-bearing bank account in 1H 2022, compared to 1H 2021; and (ii) the higher amount was deposited in 1H 2022, compared to 1H 2021.

c) **Please disclose:**

SGX Query

(i) **a breakdown of the Group's receivables;**

Company's response

Our Group's receivables comprised: (a) "Trade receivables"; and (b) "Non-Trade receivables". A further detailed breakdown of "Trade receivables" and "Non-Trade receivables" as at 30 June 2022, are shown in the table below:

	Group 30 June 2022 US\$'000
(a) <u>Trade Receivables</u>	
Trade receivables	48,978
Payment of custom duties & freights recoverable from customers	1,006
Total trade receivables	<u>49,984</u>
(b) <u>Non-Trade Receivables</u>	
Advance payment to suppliers	1,387
Deposits ⁽¹⁾	4,597
Prepayments	497
GST/VAT receivables	665
Other receivables	240
Total non-trade receivables	<u>7,386</u>
Total "Trade and other receivables"	<u><u>57,370</u></u>

Note:

(1) *Deposits includes substantially, deposits made with airlines carriers, office leases, and statutory deposits, example: utilities.*

SGX Query

(ii) **aging of the Group's trade receivables;**

Company's response

The aging breakdown of the Group's "Trade receivables" as at 30 June 2022, which was highlighted in yellow at the above paragraph (c)(i)(a) is as follows:

Aging of "Trade receivables" (as shown at (c)(i)(a) above):

	Group 30 June 2022 US\$'000
Not past due	32,671
Past due 0 to 2 months	15,358
Past due 2 to 4 months	949
"Trade receivables"	<u><u>48,978</u></u>

SGX Query

- (iii) details of the Group's underlying transactions of its other receivables and the terms of the transactions;**

Company's response

The underlying transaction of our Group's "Non-Trade receivables" aggregating US\$7.386 million in 1H 2022 include: (i) Advance payment to suppliers; (ii) Deposits; (iii) Prepayments; (iv) GST/VAT receivables; and (v) Other receivables. These are as shown in our above response at paragraph (c)(i)(b).

SGX Query

- (iv) the Company's plans to recover the trade and other receivables;**

Company's response

Each subsidiary within the Group monitors its "Trade and other receivables" on a weekly basis to follow up on payments by each customer. The collection of "Trade receivables" involves our sales personnel, finance team and station manager. This far, we have been able to collect our "Trade receivables".

SGX Query

- (v) whether there are major customer(s) and whether the Company continues to transact with these customer(s);**

Company's response

The Group did not have any customer that singularly contributed to 10% or more to our turnover for the period ended 1H 2022.

SGX Query

- (vi) how long are the debts outstanding and in which period the sales were reported;**

Company's response

Please refer to our response elaborated in paragraph (c)(ii) above.

SGX Query

- (vii) what were the actions taken to recover the trade and other receivables;**

Company's response

Please refer to our response elaborated in paragraph (c)(iv) above.

SGX Query

- (viii) the Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables; and**

Company's response

The Board is of the opinion that the methodology used to determine the value of impairment of our "Trade and Other Receivables" is appropriate, adequate and reasonable having regards to the nature of our Group's business as elaborated in the paragraphs below:

In assessing the recoverability of the Group's "Trade receivables and other receivables", the Group considered both quantitative and qualitative information that was reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

In particular, the Group considered the following information in assessing whether the credit risk of each customer had increased: (i) financial condition of each customer; (ii) the credit rating of each customer if available; (iii) payment history; (iv) existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; (v) actual or expected significant deterioration in the operating results/key financial performance ratios of the debtors; (vi) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in a debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

SGX Query

- (ix) the Board's assessment of the recoverability of the remaining trade and other receivables.**

Company's response

Based on the Board's assessment, the Board is of the view that the Group's "Trade and other receivables" are recoverable.

d) SGX Query

Please disclose a breakdown of trade and other payables amounting to US\$70.540 million as at 30 June 2022. For other payables, please disclose the identity of the counterparties, the aging and nature of these other payables.

Company's response

- (i) The Group's "Trade and Other Payables" of US\$70.540 million as at 30 June 2022 comprised:
- (a) "Trade payables" (US\$54.439 million); and
 - (b) "Non-Trade payables" (US\$16.101 million).

A further detailed breakdown of each item as at 30 June 2022 is tabulated below:

**Group
30 June 2022
US\$'000**

(a)	<u>Trade Payables</u>	
	Trade payables	50,064
	Other payables (Advance billing, customer deposit, deferred income)	4,375
	Total trade payables	54,439
(b)	<u>Non-Trade Payables</u>	
	Accrued operating expenses	7,037
	Custom duties and freight received in advance from customers	6,001
	Advance from a director/shareholder of a subsidiary	3,063
	Total non-trade payables	16,101
	Trade "Trade and other payables"	70,540

- (ii) Except for the counterparty of the advance from a director/shareholder of a subsidiary, in which is unsecured, interest-free and is repayable on demand as stated on page 79 (note 22 in relation to "Trade and other payable") of AR21 is related party, there was no other related party transaction.
- (iii) We pay our vendors within 30-90 days according to the credit term.
- (iv) The nature of "Non-Trade Payables", please refer to our response elaborated in paragraph (d)(i)(b) above.

BY ORDER OF THE BOARD

Hue Su Li
Joint Company Secretary

29 August 2022