

PROPOSED DIVESTMENT OF AN ASSOCIATE COMPANY

The Board of Directors of A-Sonic Aerospace Limited (the “**Company**”) wishes to announce that one of its subsidiaries had entered into a Memorandum of Understanding (“**MOU**”), subject to a Sale and Purchase Agreement (“**SPA**”) to divest 80,000 ordinary shares of HK\$1 par each (the “**Sale Shares**”), representing 40% of equity interest in the issued share capital of our associate company (the “**Proposed Transaction**”). After the Proposed Transaction, the Company will not own any direct or indirect interest in the associate company.

Rationale

The rationale for this Proposed Transaction is in line with the Company’s and its subsidiaries’ (the “**A-Sonic Group**” or the “**Group**”) plan to divest its non-core and non-strategic business units. Furthermore, the Group is a minority shareholder in our associate company, without board and management control, to actively participate in the business. The 40% associate company, Silver Express International Limited, is incorporated in Hong Kong, and is engaged in the provision of cargo handling services. The associate company’s unaudited net asset value as at 30 June 2019 constituted approximately 5.4% of our Group’s unaudited net asset value, based on our latest announced unaudited financial results for the first six (6) months ended 30 June 2019 (“**1H 2019**”). Accordingly, the Proposed Transaction will not change the risk profile of the Group.

Chapter 10 of the Listing Manual

The relative figures, computed as set out in Rule 1006⁽¹⁾ of the listing manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”), is based on the latest announced unaudited financial results of the Group for 1H 2019, are as follows:

Rule 1006⁽¹⁾	Bases	Relative Figures (%)
(a)	Net asset value of the Sale Shares, being HK\$11,759,090 (equivalent to approximately S\$2,037,262), compared with the Group’s net asset value excluding non-controlling interests	5.4
(b)	Net profit attributable to the Sale Shares, compared with the Group’s net profit	19.3
(c)	Aggregate value of the consideration ⁽²⁾ to be received from the Proposed Transaction compared with the market capitalization ⁽³⁾ of the Company (based on total number of issued shares of the Company, excluding treasury shares)	43.4

Notes:

1. Rule 1006(d) is not applicable to disposal of an asset, and Rule 1006(e) is not applicable because the Company is not engaged in the business of mineral, oil and gas.
2. The net consideration is HK\$30,000,000 (equivalent to approximately US\$3.825 million). The consideration for the Proposed Transaction was negotiated at arm’s length, arrived on a willing-buyer, willing-seller basis, after taking into account the consideration, and the unaudited net tangible assets of the associate company.
3. Market capitalization of the Company as at the close of business day on 24 October 2019 was S\$11.977 million.

As the relative figure under Rule 1006(c) exceeds 20%, the Proposed Transaction is a “major transaction” defined within Chapter 10 of the Listing Manual. Accordingly, the Proposed Transaction would be subject to approval from shareholders at an extraordinary general meeting (“**EGM**”) to be convened.

Financial Effects of the Proposed Transaction

Based on the most recently completed and audited results of the Group for the financial year ended 31 December 2018 ("**FY 2018**"), the consolidated "Net Tangible Assets Attributable to Equity Holders of the Company" as at 31 December 2018 was approximately US\$27.399 million (approximately equivalent to S\$37.380 million).

Based on the most recently completed and audited results of the Group for FY 2018, and assuming that the Proposed Transaction had been completed on 31 December 2018, the Group would expect to realize a surplus of the proceeds over the net book value of approximately US\$2.419 million (approximately equivalent to S\$3.300 million).

The financial effects of the Proposed Transaction on the most recently completed and audited results of the Group for FY 2018, the consolidated net tangible asset ("**NTA**") per share of the Company; and the consolidated earnings per share ("**EPS**") are set out below. The financial effects below are **purely for illustrative purposes only and are not indicative of the actual financial position of the Group and/or the Company following the Proposed Transaction.**

(a) **Earnings per Share**

Assuming that the Proposed Transaction had been completed on 1 January 2018, the **pro forma** financial effects on the consolidated earnings per share would have been as follows:

	Before the Proposed Transaction	After the Proposed Transaction
(a)(i) Net Profit After Tax Attributable To Equity Holders of the Company (US\$'000)	US\$1,481	US\$3,909
(ii) Equivalent to S\$'000	S\$1,997	S\$5,272
(b)(i) EPS (US cents) (basic and diluted)	2.53 US cents	6.68 US cents
(ii) EPS (equivalent to Singapore cents) (basic and diluted)	3.42 Singapore cents	9.01 Singapore cents

Note:

Based on the weighted average number of 58,479,296 issued shares as at 31 December 2018 (excluding treasury shares).

(b) **Consolidated NTA per Share**

Assuming the Proposed Transaction had been completed on 31 December 2018, the **pro forma** financial effects on the consolidated NTA per share would have been as follows:

	Before the Proposed Transaction	After the Proposed Transaction
Consolidated Net Tangible Assets Attributable to Equity Holders of the Company		
(i) US\$'000	US\$27,399	US\$29,818
(ii) Equivalent to S\$'000	S\$37,380	S\$40,681
Consolidated Net Tangible Assets Attributable to Equity Holders of the Company Per Share ("NTA/share") ("NTAB")		
(i) (US\$ cents)	46.9 US cents	51.0 US cents
(ii) Equivalent Singapore cents (S\$cents)	63.9 Singapore cents	69.6 Singapore Cents

Note:

Consolidated NTA per share is calculated based on 58,479,296 issued shares as at 31 December 2018 (excluding treasury shares).

Utilization of Sale Proceeds

It is the intention of the Directors to deploy the proceeds from the Sale Shares to fund the A-Sonic Group's working capital, and/or to reduce the A-Sonic Group's bank borrowings, pending the deployment of the fund, during which time, the fund will be deposited in the bank.

Material Condition

There is no material condition in respect to the Proposed Transaction, except subject to SPA.

Interests of Directors and Controlling Shareholders

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Transaction.

Directors' Service Contracts

There is no service contract with any person who will be appointed to the Company resulting from this Proposed Transaction.

Majority Controlling Shareholder Undertaking

The single majority controlling shareholder of the Company who has an aggregate direct and deemed equity interest of 53.75% in the Company as at the date of this Announcement, has given a written undertaking to the Company to vote in favour of the Proposed Transaction.

Shareholders' Approval and Circular to be Despatched to Shareholders

As stated in the second paragraph of the section titled "Chapter 10 of the Listing Manual", the Proposed Transaction would constitute a "major transaction" under Chapter 10 of the Listing Manual and accordingly is subject to approval from shareholders of the Company at an EGM to be convened. The circular to shareholders containing, *inter alia*, further details of the Proposed Transaction and a notice of the EGM to be convened, will be despatched to shareholders in due course.

Document Available for Inspection

A copy of the MOU is available for inspection by shareholders of the Company at 10 Anson Road, #24-07, International Plaza, Singapore 079903, from Monday to Friday (except public holidays) from 9.00 am to 5.00 pm till 25 January 2020 for a period of three (3) months from the date of this Announcement.

ISSUED BY ORDER OF THE BOARD

Loo Keat Choon
Joint Company Secretary

26 October 2019