A-SONIC AEROSPACE LIMITED
Regn. No. 200301838G

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS BEFORE THE ANNUAL GENERAL MEETING TO BE HELD ON 26 JUNE 2020

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 26 June 2020.

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

(i) Business;
(ii) Financials;
(iii) Dividend;
(iv) Covid-19 Impact;
(v) Liquidity Share Trading and
(vi) General

ISSUED BY ORDER OF THE BOARD

Loo Keat Choon
Joint Company Secretary

25 June 2020

Appendix 1

Theme	No.	Questions	Responses
Business	1	On page 4 of annual report – CEO shared "Our planned transformation is designed to achieve three objectives. Firstly, drive efficiencies and cost reductions that will improve our margins. Secondly, extend our existing business. Thirdly, further develop our resources as we foster a culture of innovation within our group." Can explain what is meant by "extend our existing business?"	The planned transformation referred to was elaborated in the preceding paragraph on the same page: *"we have initiated to implement technology to make our Group network more efficient, more flexible, more resilient and more anticipatory. We aim to capture opportunities and increase productivity of our resources through digital technology and automation."* One of the goals of transformation is to deploy technology to expand our existing business into related areas of business by leveraging on technology. We are exploring and evaluating the feasibility to further engage technology to create new business opportunities, using our existing physical assets and human resources.
Financials	2	What are the main contributors to the group's profits and can these profits be sustained post-Covid 19 ?	Note 36 on page 100 of our 2019 Annual Report indicated that, for the financial year ended 31 December 2019, our logistics business unit contributed to: (i) US$199.744 million, representing 97.5% of our Group's turnover; (ii) US$3.010 million of reportable segment profit, representing 96.9% of the Group's "Reportable segment profit"; (iii) Net segment assets of US$17.624 million, representing 65.3% of the Group's net segment assets; and (iv) Return on equity ("ROE") of 17.1% based on "Reportable segment profit" of US$3.010 million divided by "Net segment assets" of US$17.624 million. In addition, the revenue contribution of our logistics business unit was also disclosed on page 7 of the 2019 Annual Report, under the section entitled *"Income Statement"*, *"Revenue"*.

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			The profit contribution of each business unit was also disclosed on page 8 of the 2019 Annual Report, under the section entitled *"Net Profit/(Loss) attributable to equity holders of the Company"*. We anticipate that post-Covid 19, our business units: (i) aviation; and (ii) logistics, would be adversely impacted due to weaker global economic condition. Owing to statutory prohibition, we are unable to comment on the earning forecast.
	3	The gross and net margins for the logistics business appears to be very thin. Are there ways to improve the margins of this business? If not, does it make sense to dispose of this business or does the board has plans to grow it further and improve its profitability given the opportunity e-commerce has provided.	Please refer to our response in question 2 above under this "Financial" theme. In summary, our logistics business unit is a major contributor in terms of turnover, profit, and return on equity.
	4	Does the company has a ROE target? If yes, what is this ROE target and how does the company plan to do to achieve this ROE target?	Please refer to our responses in questions 2 and 3 above under this "Financial" theme.
	5	Please provide an update on the business revenue and profit for the first quarter/half yearly along with a forecast for the remaining year for 2020.	We shall be announcing our first six (6) months (ie. "1H 2020") financial results in August 2020. Under the current Stock Exchange requirements, we are on the half-yearly results announcement regime. We are no longer required to announce the quarterly results. We abstain from announcing quantitative forecast estimates for financial year ending 31 December 2020. You may, however, wish to note that, in our results announcement for the full year ended 31 December 2019, which was announced on 28 February 2020, we had stated at paragraph 10 on page 18, the following: "…With the even softer world economy as we start the year 2020, we expect strong headwinds in 2020 for both businesses; aviation and logistics."

Theme	No.	Questions	Responses
	6	Can the Company sustain its profitability during and after Covid-19?	We had disclosed on pages 7 and 8 of our 2019 Annual Report that: "Our Group recorded "Profit attributable to equity holders of the Company" of US$2.533 million in FY 2019, compared to US$1.481 million in FY 2018. The higher earnings in FY 2019 was because all three business units recorded "Profit attributable to equity holders of the Company": (i) "Aviation" business recorded US$0.097 million; (ii) "A-Sonic Logistics" business recorded US$1.971 million; and (iii) "UBI Logistics" business recorded US$0.465 million." The above indicates that, for the Group to sustain profitability during and after Covid-19, each of the three (3) business units must achieve sustainable profit, or that the profit generated from the profitable business unit(s) must more than make up for the losses of any business unit(s). We shall endeavour to navigate through the current Covid-19 and post-Covid-19 situation.
	7	The Group has a substantial amount of cash. Are there plans to use the cash (e.g. for acquisitions or capital investments) or is the cash (entire sum) needed to daily operations?	The Group's cash is currently utilized in 29 offices operating in 15 countries. We expect each office in our logistics network to be self-sufficient and sustainable to conduct its business without external bank borrowings.
	8	Given the amount of cash the group has, why is the group borrowing at higher interest rates (compared to the bank and fixed deposit rate) in Money market loans and Revolving loans	The Group's bank borrowing as at 31 December 2019 was then required to fund its operations. As explained in question 5 under the "Financial" theme, our cash is deployed in 29 offices in 15 countries.

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Dividend	9	Does company have a dividend policy?	The Company has paid dividends for financial year ("FY") ended 31 December 2018, and for FY 2019, we are seeking shareholders approval to pay dividend at the impending Annual General Meeting to be convened on 26 June 2020.
	10	Will the company look to issue interim dividends as well moving forward?	The declaration of dividends will depend on the financial results of the Company and its subsidiaries (the "Group"), and the business needs of the group. Currently, we have no plan to declare interim dividend.
	11	Will company declare a special dividend with regards to the divestment of Silver Express?	The declaration of dividend for FY 2020 will depend on the financial results of the Company and its subsidiaries (the "Group"), and the business needs of the Group.
Covid-19 Impact	12	Is the company supported by the government's Covid-19 schemes for aviation industry? How much is the support received?	Yes, our aviation business unit received support from the government under the "Job Support Scheme". However we did not receive the 75% support level.
Liquidity Share Trading	13	Understand that the company is applying for extension of the cure period. What steps would the company do to address the liquidity issue to achieve requisite average daily market capitalization.	As announced on 15 June 2020, we had disclosed that: "The management endeavours to strive for our economic sustainability and financial strength in the interest of our shareholders. In summary, management will take steps and measures within our capability to attempt to navigate through the turbulent economic conditions. For example, we attempt to: (i) restructure our business and operations, especially an entity which is incurring losses; and (ii) attempt to increase productivity. However, our market capitalization is highly correlated to the liquidity of our trading share price. Making it even worse, potential share investors will stay on the sideline due to concerns with the watch-list status and potential delisting, despite improved financial performance and position. Hence, an unenviable situation to achieve a market capitalization of S$40 million, even though our Net Book Value stood at S$40.160 million as at 31 December 2019. Fund managers and share investors are unable, unwilling, or unlikely, to invest in a Company with the "watch list" stigma. Even with road-shows to fund managers and investors, there is no assurance for them that our share price can cross the

			S$0.70 cents share price (from our share price of S$0.225 cents as at 6 May 2020), despite our net book value per share of approximately S$0.687 as at 31 December 2019."
	14	If the extension was not approved, would the company consider to transfer to the Catalist board, or look to delist the company?	If the extension of the cure period to exit the SGX watchlist was not granted, we have the following options for shareholders to decide in an extraordinary general meeting to be convened:- Option 1: Consider to apply to the Stock Exchange to transfer to the Catalist board. However shareholder should note that the issues relating to liquidity and substantial valuation below book value would likely remain. Hence, transferring to a different board would not resolve these inherent issues. Option 2: To delist from the Stock Exchange, and remain as a public company. This may not necessarily be bad because we would be worth more as an unlisted group, than a listed company on the Stock Exchange. Solely for illustration purpose to expound on the foregoing paragraph, we would be worth approximately S$40.160 million based on our net tangible assets (or net book value) as at 31 December 2019, compared to our market capitalization of S$13.743 million on the stock exchange as at 24 June 2020, date preceding this announcement.
General	15	Can management do a presentation for Shareholders at the AGM webcast to provide a business overview for 2019 and update (note 37 of AR on Subsequent events) in 2020?	No presentation will be made for the forthcoming Annual General Meeting on 26 June 2020. We encourage shareholders to submit all their questions.
	16	May I request company to conduct a half yearly briefing at its results release to raise investor awareness of the company's "under-valued-ness" and to engage with the investment community	We will evaluate and consider the suggestion.