A-SONIC AEROSPACE LIMITED
Regn. No. 200301838G

APPLICATION TO SEEK APPROVAL FROM SGX-ST FOR FURTHER EXTENSION OF TIME TO MEET WATCH-LIST EXIT REQUIREMENTS

1. INTRODUCTION

1.1 The Board of Directors of A-Sonic Aerospace Limited (the "**Company**") wishes to refer to the announcement dated 2 June 2017 on the notification from Singapore Exchange Securities Trading Limited ("**SGX-ST**") that the Company would be placed on the watch-list with effect from 5 June 2017.

1.2 The Company would be required to take active steps to meet the requirement of Listing Rule 1314 within 36 months (the "**Cure Period**") from 5 June 2017, failing which the SGX- ST would delist the Company or suspend trading in the Company's shares with a view to delisting the Company.

1.3 The Company had on 30 June 2020 received approval to extend the Cure Period for a period of 12 months (the "**Extension Application**") to 4 June 2021.

1.4 As at the date of this announcement the Company still has not met the requisite average daily market capitalisation of S$40 million over the last six (6) months, despite that:

(i) The Company and its subsidiaries (the "A-Sonic Group" or the "Group") has been profitable for the last three (3) financial years ended 31 Dec 2018 ("**FY 2018**"), 31 December 2019 ("**FY 2019**"), and 31 December 2020 ("**FY 2020**");

(ii) The Group's net worth measured by "Equity Attributable to Equity holders of the Company" ("**NTA**" or "**Net Book Value**") was equivalent to S$47.914 million (or US$36.241 million) as at 31 December 2020; and

(iii) The Company has paid / declared dividend for the three (3) financial years ("**FYs**"), since FY 2018, FY 2019, and FY 2020.

1.5 In view that we are on the SGX watch list SOLELY because of not having achieved the requisite average daily market capitalisation of S$40 million over the last six (6) months, we have, on 27 April 2021, submitted an application to the SGX-ST to further extend the Cure Period for a period of another 12 months (the "**Further Extension Application**").

2. BACKGROUND INFORMATION

2.1 ***Facts***

(i) The Group has been profitable for the last three (3) financial years ended 31 December 2018 ("**FY 2018**"), 31 December 2019 ("**FY 2019**"), and 31 December 2020 ("**FY 2020**");

(ii) The Company's average daily market capitalisation over the last six (6) months since 27 October 2020 till the date immediately preceding this letter, 26 April 2021 was S$24.255 million;

(iii) The Group's net worth measured by "Equity Attributable to Equity holders of the Company" ("**NTA**" or "**Net Book Value**") was equivalent to S$47.914 million (or US$36.241 million) as at 31 December 2020; and

(iv) Based on the last closing price of S$0.685 on 26 April 2021, our market capitalisation was S$40.058 million.

2.2 ***Financial Results***

		FY 2018	FY 2019	FY 2020
(i) Profit Before Tax (**US$'000**)	:	812	3,481	7,920
(**Equivalent S$'000**)	:	1,095[(1)]	4,744[(2)]	10,907[(3)]
(ii) Profit After Tax (**US$'000**)	:	630	3,107	7,638
(**Equivalent S$'000**)	:	850[(1)]	4,235[(2)]	10,518[(3)]
(iii) Net Profit Attributable to Equity Holders of the Company	:	1,481	2,533	6,327
(**US$'000**) (**Equivalent S$'000**)	:	1,997[(1)]	3,452[(2)]	8,713[(3)]
(iv) Earnings Per Share ("EPS") (**Equivalent S$ cents**)[(4)]	:	3.4	5.9	14.9
(v) Net Assets (Attributable to Equity Holders of the Company) ("NA") (**US$'000**)	:	27,676	29,821	36,241
(**Equivalent S$'000**)	:	37,758[(1)]	40,160[(2)]	47,914[(3)]
(vi) NA/share (**S$ cents**)	:	64.6[(1)]	68.7[(2)]	81.9[(3)]
(vii) Historical Price Earnings Ratio (Historical)[(5)]	:	20.1	11.6	4.6
(viii) Share Price at Premium/ (Discount) to NA [(6)]	:	6.0%	(0.3)%	(16.4)%
(ix) Bank Gearing Ratio (Bank borrowing)	:	15.1%	14.4%	4.8%

Notes:

(1) Based on foreign currency exchange rate on 31 December 2018 (End rate at US$1=S$1.3643 & Ave rate at US$1= S$1.3486).

(2) Based on foreign currency exchange rate on 31 December 2019 (End rate at US$1=S$1.3467 & Ave rate at US$1= S$1.3629).

(3) Based on foreign currency exchange rate on 30 December 2020 (End rate at US$1=S$1.3221 & Ave rate at US$1= S$1.3771).

(4) Based on "Net Profit After Tax Attributable to Equity Holders of the Company" FY 2018, FY 2019 and FY 2020.

(5) Share price was based on the closing market price of S$0.685 on 26 April 2021, and earning was based on "Net Profit After Tax Attributable to the Equity Holders of the Company".

(6) Share price was based on closing market price of S$0.685 on 26 April 2021.

3. **RATIONALE FOR OUR REQUEST**

3.1 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.

3.2 However, our market capitalisation 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$47.914 million as at 31 December 2020.

3.3 Fund managers and share investors are either 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 68.50 cents per share, despite our net book value per share of approximately S$0.819 as at 31 December 2020.

3.4 The current global Covid-19 pandemic and existing market condition makes it even more difficult for us to achieve the SGX requisite S$40 million market condition.

4. **SUBMISSION**

In view of the above, we seek SGX to grant us a further 12 months extension to the cure period to attempt to achieve the SGX requisite average daily market capitalisation of S$40 million.

ISSUED BY ORDER OF THE BOARD

Seoh Choon Hong
Joint Company Secretary

27 April 2021