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 3 May 2023 in relation to the Company's Annual Report for the financial year ended 31 December 2022 ("**FY2022**"):

SGX Query 1

Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please disclose the identity of the outsourced internal audit firm, the relevant experience of accounting firm and the engagement team.

Company's response

In FY 2022, an independent auditor was appointed to conduct an internal audit on one of our subsidiaries in Malaysia. This was disclosed on page 26 of our Annual Report ("**AR 2022**"). The Company had outsourced the internal audit to an independent third party, Messrs GL Chong & Co. ("**GLC**").

In view of the following factors, our Audit and Risk Management Committee ("**ARMC**"), are of the view that the internal auditor was independent, effective, and had adequate resources to conduct their assigned internal audit function:

(i) GLC is registered with the Malaysian Institute of Accountants, Chartered Tax Institute of Malaysia, Malaysian Institute of Chartered Secretaries and Administrators, and Companies Commission of Malaysia;

(ii) GLC has been operating as a professional audit firm for 15 years, covering most industries and services, and they vary in size from private individuals to large group of companies;

(iii) Our internal audit was conducted by GLC's team of 2 qualified accountants, each with 18 and 5 years of audit experiences;

(iv) GLC's qualified professional audit team conducted their duties based on The Malaysian Institute of Accountant approved International Standard on Auditing - ISA 315 - Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement.

(v) GLC's qualified professional audit team had unrestricted access to our subsidiary's material internal controls consistency of financial, operational and compliance controls as well as risk management. GLC also had direct access and reports directly to our ARMC. The detailed report on the summary of the internal audit findings was issued to our ARMC.

SGX Query 2

Listing Rules 1207(18B)(c) and 1207(18B)(d) requires an explanation of how the issuer has complied with (c) disclosure on its commitment to ensure protection of the whistleblower against detrimental or unfair treatment; and (d) the Audit Committee being responsible for oversight and monitoring of whistleblowing respectively. In this regard, please clarify whether and how the Company has complied with Listing Rules 1207(18B)(c) and (d).

Company's response

The Company has complied with Listing Manual 1207(18B), including Rules 1207(18B)(c) and 1207(18B)(d). The disclosure at page 26 of our AR 2022 had summarized our "Whistleblowing Policy", while the details are enclosed in our Staff Handbook.

A-Sonic Group gives employees, customers, service providers, vendors, or third parties, the opportunity to speak up on improprieties, misconduct and/or wrong doings relating to its employees; or the business, financial, or corporate affairs of the A-Sonic Group.

A-Sonic Group's Whistleblowing Policy and Procedures ("**Whistleblowing**") sets out:

(i) The purpose of A-Sonic's Whistleblowing policy;

(ii) The reportable malpractices, unethical, or illegal conducts;

(iii) A-Sonic's designated independent function to investigate whistleblowing reports made in good faith;

(iv) A-Sonic's policy to ensure the identity of a whistleblower(s) is kept confidential;

(v) A-Sonic's commitment to ensure protection of the whistleblower(s) against unfair treatment; and

(vi) The responsibility of A-Sonic's independent Audit Committee to oversee and monitor the whistleblowing policy.

To address SGX-ST's comments, specifically on Listing Manual 1207(18B)(c) and 1207(18B)(d), our "Whistleblowing Policy" provides as follows:

1. Rule 1207(18B)(c): Protection of the Whistleblower

    1.1 An employee shall not be subject to a dismissal, demotion, supervision, termination of employment, or any form of harassment or threatened harassment, or discrimination from having made a report in accordance with A-Sonic's whistleblowing policy, provided that such report was made in good faith.

    1.2 An employee may be subject to administrative and disciplinary measures, including but not limited to termination of employment/contract, if the employee files a report or provide evidence which the employee knows to be false or without a reasonable belief in the truth and accuracy of such information.

2. Rule 1207(18B)(d): Responsibilities of the Audit Committee Chairman

    The independent audit committee will:

    2.1 review a report and any matters arising therefrom or in connection therewith, and establish whether there is sufficient ground for further action;

    2.2 recommend, if need be, procedures to be put in place to manage reports that require immediate or urgent action;

    2.3 initiate investigations when required; and

    2.4 review and report to the A-Sonic Board of Directors the results of the investigations and recommendations for corrective or remedial action, or (as the case may be) administrative or disciplinary action, to be taken.

SGX Query 3

Listing Rule 710A states that an issuer must describe in its annual report its board diversity policy, including the following:

(a) The issuer's targets to achieve diversity on its board;
(b) The issuer's accompanying plans and timelines for achieving the targets;
(c) The issuer's progress towards achieving the targets within the timelines; and
(d) A description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the issuer.

Please disclose whether and how Listing Rule 710A has been complied with.

Company's response

We have complied with Listing Rule 710A in respect of our board diversity policy. We have disclosed our board diversity policy at pages 16 and 17 of our AR 2022.

Our Nominating Committee ("**NC**") evaluates the optimal composition and renewal process of the Board. In line with our board diversity policy, our NC takes into account the following:

(i) Candidates who bring diversity of background and industry or related expertise and experience. This includes the appropriate level of diversity in the Board composition having regard to diversity factors such as age, ethnicity, educational, business and professional backgrounds of its members;

(ii) The diversity in work experience to avoid groupthink and fostering constructive debate. The varied perspectives enhances the Board's decision making capability, the opportunity to benefit from all available talent and background, which is essential to the effective governance of the business and for long-term sustainable growth; and

(iii) Our policy is to have varied work background including entrepreneurial, management experience, financial, accounting, legal, regulatory background, and risk management.

Our current Board composition is also:

(i) equally balanced in gender diversity, comprising three (50%) male members, and three (50%) female members; and

(ii) independent with the Board comprising three (50%) non-executive directors, and three (50%) executive directors. All of the three non-executive directors are independent.

Accordingly, our current Board composition has already achieved our target Board diversity as elaborated above.

Notwithstanding the above, our NC continuously evaluates potential candidates at the appropriate time to achieve renewal process for optimal composition. This is critical to: (i) help develop the Group's strategic and business plans moving forward; and (ii) review the performance management in meeting goals and objectives.

SGX Query 4

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provisions 8.1(a) and 8.1(b) of the Code with regards to the disclosure of remuneration of the directors and the CEO, and in aggregate the total remuneration paid to the top five key management personnel respectively. There were no explanations provided for in your FY2022 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's response

We have disclosed the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation in compliance with:

(i) Principle 6 (and Provision 6): Procedures For Developing Remuneration Policies at page 21 of our AR 2022;

(ii) Principle 7 (and Provision 7): Level and Mix of Remuneration or Executive Directors and Non-Executive Directors at page 21 and 22 of our AR 2022; and

(iii) Principle 8 (and Provision 8): Disclosure on Remuneration of Directors and five top earning key executives' remuneration at pages 22 and 23 of our AR 2022.

In respect of Provision 8(1)(a) and 8(1)(b) of the Code, we have disclosed the remuneration bands of the directors and the CEO, and the top five key management personnel, respectively. However, we had not disclosed the exact amount of each of their respective remuneration.

In respect of the deviation from Provision 8(1)(a) disclosing the exact amount of remuneration of each director, and the CEO, we had explained that we had deviated and indicated the remuneration bands. "The Company has not fully disclosed the remuneration of each individual director and the CEO as the Board believes that such disclosure is not in the best interest of the Company, given the confidentiality and sensitivity nature of the remuneration matter and the highly competitive business environment the Group operates in." This is stated at page 23 of our AR 2022.

In respect of the deviation from Provision 8(1)(b), we had explained that we had deviated and indicated the remuneration bands. "The Company has not disclosed the remuneration as the Board believes that such disclosure is not in the best interest of the Company, given the confidentiality and sensitivity nature of the remuneration matter among staff and the highly competitive business environment the Group operates in. The Board is of the view that disclosure of specific information may affect the retention of competent personnel in a competitive industry where poaching of executives is prevalent." This is stated at page 23 of our AR 2022.

BY ORDER OF THE BOARD

Hue Su Li
Joint Company Secretary

4 May 2023