

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 28 April 2016 and 29 April 2016 in relation to the Annual Report of the Company and its subsidiaries for the full year ended 31 December 2015 ("Annual Report 2015") :

a) SGX Query

Guideline 2.4 of the Code of Corporate Governance 2012 (the "Code"), The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.

i) The Exchange noted that the Annual Report did not disclose the details of the rigorous review conducted by the Board and its explanation as to why the Director(s) who had served for more than nine years should be considered independent. As recommended in paragraph 2.4 of the Code and pursuant to Rule 710 of the Listing Manual, please disclose whether a rigorous review has been performed or otherwise explain the reason(s) for the deviation from the Code.

Company's response

As mentioned on page 13 of the Annual Report 2015, the Nominating Committee ("NC") introduced the peer assessment of independence of each director who has served the Board beyond nine years. The peer assessments considered, amongst others, the contribution by the director, the uniqueness of his skills and participation at meetings. Having carried out their review for FY 2015 and taking into account the view of the NC, the Board determined that Mr Yam Mow Lam and Mr Choh Thian Chee Irving, who were both appointed on 29 July 2003, be considered independent notwithstanding that they have served on the Board beyond nine years. Mr Yam Mow Lam and Mr Choh Thian Chee Irving have contributed effectively by providing impartial and autonomous views, advice and judgement. They have continued to demonstrate strong independence in character and mind.

In assessing the independence of the Directors who have served beyond nine years, the Board has carried out a rigorous review and has assessed in accordance to the Code of Corporate Governance's definition. The Board has taken into consideration of the following factors in assessing the independence of both Mr Yam Mow Lam and Mr Choh Thian Chee Irving:

- (1) they are able to exercise independent judgement in the best interest of the Company as they do not have any relationship with the Company, its related corporations, its substantial shareholders or its officers;
- (2) they have developed the significant insights into the Group's business and operations over the years and continuing to provide invaluable contribution objectively to the Board as a whole; and
- (3) their contribution to the Board in terms of professionalism, integrity, objectively and ability to exercise independent character and judgement in their deliberation in the interests of the Company.

Therefore, the Board continued to deem both Mr Yam Mow Lam and Mr Choh Thian Chee Irving as Independent Directors.

b) SGX Query

Guideline 9.2 of the Code states that the Company should fully disclose the remuneration of each individual director and the CEO on a named basis. For administrative convenience, the company may round off the disclosed figures to the nearest thousand dollars. There should be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.

- i) *The Exchange noted that the Annual Report did not fully disclose the remuneration of each individual director and the CEO nor the upper limit for the highest remuneration band. As recommended in paragraph 9.2 of the Code and pursuant to Rule 710 of the Listing Manual, please provide the required disclosures or otherwise explain the reason(s) for the deviation from the Code*

Company's response

The Company has not fully disclosed the remuneration of each individual director and the CEO nor the upper limit for the highest remuneration band 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.

c) SGX Query

Guideline 9.3 of the Code states that the Company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. Companies need only show the applicable bands. There should be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentive and awards, and other long term incentives.

In addition, the Company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel.

- i) *The Exchange noted that the Annual Report did not disclose the upper limit for the highest remuneration band and the aggregate total remuneration paid to the top five key management personnel (who are not directors or the CEO). As recommended in paragraph 9.3 of the Code and pursuant to Rule 710 of the Listing Manual, please provide the required disclosures or otherwise explain the reason(s) for the deviation from the Code.*

Company's response

The Company has not disclosed the upper limit for the highest remuneration band 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. The aggregate total remuneration paid to the top five key management personnel (who are not directors or the CEO) is disclosed in Note 6 to the Financial Statements on page 54 of the Annual Report 2015.

ISSUED BY ORDER OF THE BOARD

Loo Keat Choon
Joint Company Secretary
4 May 2016