



A-SONIC AEROSPACE LIMITED  
Regn. No. 200301838G

**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS  
FROM SHAREHOLDERS  
BEFORE THE ANNUAL GENERAL MEETING  
TO BE HELD ON 28 APRIL 2022**

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 28 April 2022.

***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) Aviation Business;
- (ii) Logistics Business;
- (iii) Investors Relation;
- (iv) Dividend; and
- (v) General

ISSUED BY ORDER OF THE BOARD

Hue Su Li  
Joint Company Secretary

25 April 2022

## Appendix 1

Theme	No.	Questions	Responses
<b>Aviation Business</b>	A1	What are the company's plans for the aero segment given it has been consistently loss making?	<p>The aviation business unit has two (2) sub-categories of operating expenses:</p> <p>(i) The operating expenses of the aviation subsidiaries comprised approximately 29% of the total operating expenses of the aviation business unit. In FY 2021, the aviation business is virtually inactive. Approximately 50% of its total operating expenses comprised the remuneration of the two (2) directors engaged in the aviation business. The other remaining 50% operating expenses include staff remuneration, property maintenance/tax, depreciation and others; and</p> <p>(ii) The operating expenses of the listed holding Company comprised 71% of the total operating expenses of the aviation business unit, which includes: (a) the remuneration of the three (3) executive directors of the Company; (b) the directors fees of the six (6) directors of the Company; and (c) listing expenses.</p>
	A2	What is the value of inventory (ie aircraft and aircraft engines) that our Company is carrying as at end FY 2021? Are these inventory still marketable?	As stated at page 41 of our FY 2021 Annual Report, the value of our "Inventories" was US\$0.902 million as at 31 December 2021. The inventory is still marketable.
	A3	<p>i) With the pick up in air travel, did the company see an improvement in its aviation business in recent months?</p> <p>ii) For the last month, as a percentage of pre-COVID level, what would be an estimate of the company's aviation business's performance?</p>	<p>With the recovery in the aviation sector, our aviation business unit sold an aircraft in March 2022 that would clear our inventory that was carried in our Group's consolidated balance sheet as at 31 December 2021.</p> <p>Overall the aviation business does not expect improvement.</p>

Theme	No.	Questions	Responses
<b>Logistic Business</b>	L1	Referring to the Total Costs and Expenses FY 2021 vs FY 2020 (Annual Report 2021, Pg 10), will the staff FY2022 sales targets be higher to achieve the same amount of performance incentives?	<p>The Group has an incentive policy, aimed to motivate our sales team, each station head, and regional leader, to render their utmost best.</p> <p>In certain cases, and in certain jurisdictions, the sales staff rely solely on their sales incentives.</p> <p>Management reviews our Group incentive policy from time to time to remain competitive in our recruitment and retention of talented staff, and to ensure that our Group's remuneration policy remains relevant in each of the markets that we operate in.</p>
	L2	What is the total cost of the North Asia IT system? Is the project completed? Is the cost of this IT system expensed or capitalized?	The cost incurred was approximately US\$0.630 million. The IT project was completed, and the development cost had been expensed-off. It is currently already in use. Additional development costs might be required in the future to further expand and enhance its functionalities.
	L3	As mentioned in Pg 21 of the FY2021 Results Announcement dated 27 Feb 2022, there was a Higher US\$0.285 million in restructuring cost incurred for a new transportation business unit that we were launching, and vehicle related expenses utilized for our logistics businesses. Can our Company share more about the new transportation business unit with the shareholders?	Apart from our air freight related transportation, we had extended our transportation business in Singapore to include sea-freight transportation from port to warehouses and islandwide, and vice-versa.
	L4	What is the mix of our Company's logistics business in terms of air freight and sea freight respectively in FY2021?	<p>In FY 2021, our ocean freight comprised approximately 65% of our Group's total turnover, and air freight related shipments was approximately 35%. In contrast, in FY 2020, ocean to air freight turnover contribution was 60% : 40%.</p> <p>The slight change in the proportion was largely due to multiple disruptions from lockdowns and flight cancellation arising from Covid and geo-political conflicts which lead to higher re-routing shipment costs to be borne by customers.</p>
	L5	UBI Logistics Subsidiaries: Can our Company consider buying out the minority interests using a mix of shares and cash in an Earnings Per Share (EPS) accretive way?	Management will act in the best interest of the Group to ensure value creation for all stakeholders.

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	L6	<p>Covid situation in China:</p> <p>i) How is the Covid situation affecting our operations in China?</p> <p>ii) Would there be a shortage of workers and delay in schedule due to employees contracting COVID?</p> <p>iii) How is the company dealing with the shortage of manpower issues brought about by COVID?</p> <p>iv) How is the current COVID situation in China affecting our business?</p>	<p>(i) We have arranged for our staff to work from home in cities under lockdown. For cities where lockdown measures resulted in difficulties or blockage of cargo flow into and out of the cities, physical transportation of cargo have also affected, creating uncertainties and higher costs to the entire operation process. The current Shanghai lockdown is having an operational impact on our ocean business volumes and airfreight volumes moving through Shanghai ports and airports.</p> <p>(ii) Yes, if any of our staff contracted COVID or comes into close contact with positive cases, all the close contact of the staff will be placed on quarantine as well. This will normally result in entire team being placed in quarantine facility and create a sudden shortage of manpower. This resulted in work inefficiencies, operational delays and higher operational cost.</p> <p>(iii) Whenever possible, we split our existing staffs in two (2) teams so that if any team was quarantined, there was another team to cover the work. Staff with relevant skills set will also be redeployed to assist other affected department. All our staffs are putting in extra working hours in trying to cover the workload of colleagues under quarantined.</p> <p>(iv) The current Covid situation has caused uncertainties in the entire supply chain. In early March, there was a one (1) week lockdown in Shenzhen. Subsequently, there is a gradual lockdown in different parts of Shanghai from mid-March onwards, until a complete lockdown of Shanghai from April onwards that continues to be in place as of today. As a result of the completely lockdown in Shanghai, we are starting to see a decline in shipment orders from customers, and the size of individual shipment order has also become smaller for shipments passing through the Shanghai gateway.</p>

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	L7	The Baltic Dry Index has fallen from a high of 5.6k to 2.3k now. How would the drop in shipping rates impact our business? Positively or Negatively? Please elaborate.	Based on our experience, the air and ocean freight rates are still high. In our view, logistics is “essential” in the entire global supply chain, and our logistics business is affected by several economic factors.
	L8	<p>The company owns a stake of 40% in A-Sonic Logistics Lanka (Private) Limited, which is based in Sri Lanka. As of writing, Sri Lanka, is a country which is facing a severe economic and debt crisis.</p> <p>i) Could you please quantify our exposure to Sri Lanka?</p> <p>ii) How would the severe economic and debt crisis in Sri Lanka affect our business?</p>	<p>Our Group’s exposure to Sri Lanka is not significant. As at the date of this announcement, we are of the view that, the business and operations of A-Sonic Logistics (Lanka) Pvt Limited is under control.</p> <p>It is noteworthy that, under certain circumstances, it is a norm for customers to sometimes pay in advance to secure the airline or ocean carrier space.</p>
	L9	<p>In FY2020, we had a major customer contributing more than 10% of the company's turnover. (Page 92 of AR). In FY2021, it was stated that there was no major customer contributing more than 10% of the company's turnover. This major customer 1 contributed \$49,270 out of \$262,928 of FY2020 turnover - almost 20% of FY2020 turnover. Whilst our concentration risk is reduced in FY2021, I would still like to enquire about the following:</p> <p>i) Can I check if this major customer 1 we had in FY2020 is still our customer in FY2021?</p> <p>ii) Did this major customer 1 reduce her transactions with us?</p> <p>iii) What is the turnover in FY2021 contributed by this major customer 1, if any?</p> <p>iv) If major customer 1 is no longer our customer, may I know why major customer 1 is no longer utilizing our products and/or services?</p>	<p>i) Yes, the customer continued to have transactions with us in FY 2021.</p> <p>ii) Yes, the decline constituted approximately 1.096% of our Group’s “Total Turnover”, or approximately 1.099% of our Group’s “Turnover” in FY 2021.</p> <p>iii) This customer contributed to approximately 9.59% of our Group’s “Total Turnover” in FY 2021.</p> <p>iv) Please refer to our response at L9(i) above.</p>

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		v) If major customer 1 has reduced her transactions with us, may I know why major customer 1 has reduced her usage of our products and/or services?	v) We strive to be price competitive in the course of providing our logistics services.																				
<b>Dividend</b>	D1	A-Sonic Aerospace was listed in the Mainboard in 2003. 2023 marks the 20th anniversary of A-Sonic listing. Would the company please consider a commemorative special dividend for next year to commemorate our company's 20th year of listing?	The Group intends to pay dividend when the Group generates operating profit in that financial year, and provided that: <ul style="list-style-type: none"> <li>(i) the Group's operating cash flow permits;</li> <li>(ii) having regards to the foreseeable growth plan of the Group; and</li> <li>(iii) depending on the prevailing economic and financial market environment.</li> </ul>																				
	D2	<p>The company's payout ratio is erratic and fluctuates. See below table:</p> <table border="1"> <thead> <tr> <th></th> <th>EPS</th> <th>Dividends (cents)</th> <th>Payout ratio (%)</th> </tr> </thead> <tbody> <tr> <td>FY 21</td> <td>15.2</td> <td>5.8</td> <td>38.16</td> </tr> <tr> <td>FY 20</td> <td>14.9</td> <td>0.375</td> <td>2.52</td> </tr> <tr> <td>FY 19</td> <td>5.9</td> <td>1</td> <td>16.95</td> </tr> <tr> <td>FY 18</td> <td>3.4</td> <td>1</td> <td>29.41</td> </tr> </tbody> </table> <p>i) Does the company have a dividend policy? Please illustrate the dividend policy of the company, if any.</p> <p>The dividend payout ratio of the company is erratic and fluctuates greatly year to year. For example, in FY2021 the payout ratio is 38%, in FY2020 the payout ratio is a mere 2.5% and in FY2019 it was 17%. Please indicate why the company's dividend payout ratio is so erratic and fluctuates greatly year to year.</p> <p>ii) Would the company please set out a formal dividend policy to reduce the fluctuations and uncertainty for shareholders?</p> <p>iii) Would the company please set out a formal dividend policy to assure investors of the company and management's commitment and alignment with shareholders?</p>		EPS	Dividends (cents)	Payout ratio (%)	FY 21	15.2	5.8	38.16	FY 20	14.9	0.375	2.52	FY 19	5.9	1	16.95	FY 18	3.4	1	29.41	Please see our above response at D1.
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		<p>iv) Would the company please set out a formal dividend policy to demonstrate to the investment community that the company is sincere in wanting to share and reward shareholders when the company does well operationally and financially?</p>	
<b>Investors Relation</b>	IR1	<p>I refer to last year's FY2020 AGM QnA Item WL3 Responses. What did our Company do in FY2021 to actively engage with the fund management/brokers community (roadshows, investors meetings and conference calls etc)? This should be done in spite of the current Watchlist status as there are diverse investors with investment mandates that can invest in Companies like ours.</p>	<p>We had already been engaging and meeting various securities and research companies.</p> <p>Based on our current market capitalization as at the business date immediately preceding this announcement, our market capitalization was S\$38.436 million over the last six (6) months, since 26 October 2021 to 25 April 2022.</p> <p>Our current daily market capitalization had consistently, on a daily basis, exceeded \$40 million since 9 March 2022.</p>
	IR2	<p>The company is placed inside SGX Watchlist and is given until June 2022 to exit from the watchlist. The principal reason why the company remains in the SGX watchlist is because it fails to meet the stipulated average daily market capitalization requirement of 40 million SGD.</p> <p>Personally, I feel the company share price is undervalued:</p> <ul style="list-style-type: none"> <li>i) The company share price is trading below its cash per share;</li> <li>ii) The company share price is trading at more than 20% below NAV;</li> <li>iii) The company share price is trading at much more than 20% below its adjusted NAV (if we adjust for the true market value of the properties that are carried at cost less accumulated depreciation);</li> <li>iv) The company P/E ratio is less than 5!;</li> <li>v) The company revenue is continually growing;</li> <li>vi) The EPS/PBT/PAT/NAV is growing consistently over the past three years.; and</li> <li>vii) The gearing ratio is reducing consistently over the past three years.</li> </ul>	<p>Please see our above response at IR1.</p>

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		<p>What is the company doing to engage research analysts and brokerages and the wider investment community?</p> <p>i) What investor relations outreach have it done over the past year?</p> <p>ii) What is the target price that the research analysts have of the company?</p> <p>Have the company done any investor roadshows over the past year?</p>	
<b>General</b>	G1	<p>What is the increase in headcount in FY2021 vs FY 2020?</p>	<p>As stated at page 7 of our FY 2021 Annual Report, the Group's total headcount was approximately 640 personnel as at 31 December 2021.</p> <p>As stated at page 6 of our FY 2020 Annual Report, the Group's total headcount was approximately 670 personnel as at 31 December 2020.</p>
	G2	<p>In the AGM, the company always sought shareholders approval for share buyback. However, the company has not bought back any of its shares for a long time. From my estimate, after accounting for the cash received from warrant conversion and assuming an exchange rate of 1.37 SGD to 1 USD, the cash per share of the company is more than 77 SGD cents.</p> <p>i) Why is the company seeking shareholders approval for share buyback?</p> <p>ii) What are the criteria used by the company to determine if it is worthwhile to buy back its shares?</p> <p>iii) Given the company is trading below its cash per share value and the company's last traded price of 67.5 cents, conducting a share buyback would effectively mean the company is paying 67.5 SGD cents for 77 SGD cents of cash (and the business).</p> <p>iv) Why is the company not buying back its shares when the company share price is so undervalued?</p>	<p>The "Share-Buy Mandate" sought from shareholders at the impending AGM on 28 April 2022 was intended as a precautionary measure, in the event that we should require it during the period over the next 12 months.</p>



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		<p>v) Given the company has cash per share of the company of more than 77 SGD cents, why is the company not paying 67.5 cents of cash to buy 77 cents of cash (plus assets)?</p>	
	G3	<p>It is unfortunate and sad that our Lead Independent Director Mr Irving Choh has passed away.</p> <p>i) Will the company be appointing a replacement?</p> <p>ii) If applicable, has the company located his replacement?</p> <p>iii) What is the status of the search process?</p> <p>iv) Please clarify the identity of the current Lead Independent Director of the company.</p> <p>v) Was any of our Independent Directors re-designated as Lead Independent Director?</p>	<p>i) Yes, the Company will be appointing another Independent Director.</p> <p>ii) We are in the midst of the search.</p> <p>iii) Refer to our response at G3(ii) above, and will announce as soon as our Board of Directors has identified a candidate, and when a mutual agreement has been arrived at with the candidate.</p> <p>iv) Please refer to our above response at G3(iii).</p> <p>v) We have not redesignated any of our independent directors as Lead Independent, as we would like to leave our options open till the new candidate has been identified.</p>
	G4	<p>The USD is appreciating in recent months. As of writing, it reached a high of 1 USD to 1.37 SGD.</p> <p>How would the appreciation of USD impact our business? Positively or Negatively? Please elaborate.</p>	<p>Generally, an appreciating US\$ against the various operating currencies that our logistics business unit operates, including Renminbi, Singapore dollar, Euro dollar, etc, will tend to be unfavourable, subject to the magnitude of the US\$ versus all the other currencies referred to above. Similarly, the reverse would be true.</p> <p>Notwithstanding the above, it should be noted that currency fluctuations should not affect our operating profit level.</p> <p>In conducting our logistics business, and where feasible, we strive to adopt natural hedging in our logistics business.</p>

Theme	No.	Questions	Responses
	G5	<p>International Plaza is going up for en-bloc. Our company's registered office is located in International Plaza.</p> <p>i) What are the company's plans if the International Plaza en-bloc materializes?</p> <p>ii) Where would the registered office of the company be relocated to?</p> <p>iii) Would the company need to purchase a new (replacement) office space?</p> <p>iv) How much would it cost if a new office space is required?</p> <p>v) Would the company be rewarding shareholders special dividends from the sale proceeds of its International Plaza office units (in the event the sale materialises)?</p> <p>A google search indicates that the address of A-Sonic Logistics is "9 Airline Road, #05-23, Cargo Agents Building D, Singapore 819827"</p> <p>vi) Does the company own or rents the space at 9 Airline Road?</p> <p>vii) Would it be possible to co-locate our replacement office at 9 Airline Road?</p>	<p>In the event that the Company's registered office at International Plaza should be subject to "enbloc sale", we would abide by the majority vote in excess of 80%.</p> <p>Our registered office may relocated to our other office site at "9 Airline Road, #05-23, Cargo Agents Building D, Singapore 819827". This office is located within one of Singapore's "Free Trade Zone" ("FTZ"). Premises with the FTZ is not available for sale.</p> <p>At the appropriate time, further announcement will be made, if required.</p>