

CORPORATE GOVERNANCE REPORT

The Board of Directors of AsiaMedic Limited (the “Company”) is committed to ensuring that high standards of corporate governance and transparency are practised for the interest of all shareholders. This report describes the corporate governance framework and practices of the Company with specific reference made to each of the principles of the Code of Corporate Governance 2012 (the “Code”) pursuant to Rule 710 of the Listing Manual (Section B: Rules of Catalyst) (the “Catalist Rules”) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the financial year ended 31 December 2017 (“FY2017”). The Company confirms that it has adhered to the principles and guidelines of the Code and has specified each area of non-compliance. The Company will continue to improve its systems and corporate governance processes in compliance with the Code. There are other sections in this Annual Report which contain information required by the Code. Hence, shareholders should read this Annual Report in entirety.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

The Board of Directors (the “Board”) comprises four Directors having the appropriate mix of core competencies and diversity of experience to direct and lead the Company in FY2017. As at the date of this report, the Board comprises the following members:

Mr Tan Soo Kiat	Non-Executive Chairman
Mr Goh Kian Chee	Lead Independent Director
Dr Hong Hai	Independent Director
Mr Guo Wenfei	Non-Executive Director
Mr Koh Boon How	Alternate Non-Executive Director to Mr Guo Wenfei

Guideline 1.1

Board’s role

The primary role of the Board is to lead and control the Group. It provides entrepreneurial leadership, sets the strategies of the Group (comprising the Company and its subsidiaries), and sets directions and goals for the Management (comprising the key executive officers of the Group). The Board also reviews to ensure that the Group has the necessary financial and human resources in place to meet the goals and objectives. The Board supervises the Management and monitors performance of these goals to enhance shareholders’ value. The Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for the Management and monitoring the achievement of these goals. The Board also considers sustainability issues. The Board has adopted internal guidelines governing matters that require the Board’s approval. The Board believes that enhancing focus on sustainability will place the Group in a better position to create value for shareholders while looking after the broader stakeholder community. The Company has established a sustainability team. The sustainability team is in the process of developing the framework and preparing the sustainability report. In accordance with the Catalyst Rules, the Group will issue the sustainability report by end of 2018 and upload it at its website at www.asiamedic.com.sg.

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Guidelines 1.2 and 1.5

Directors' roles and responsibilities, and internal guidelines on matters requiring Board's approval

Besides matters which are specifically required to be approved by the Board by statutes, the Company's Constitution, and the Catalyst Rules, material transactions that require the Board's approval, amongst others, are:

- (a) corporate strategies and initiatives;
- (b) acquisitions, disposals, investments, and divestments of assets (which include equity, debt, business undertakings, and options to acquire/dispose of assets);
- (c) internal controls, audit, risk management, and corporate governance practices;
- (d) financial plans and budgets;
- (e) capital structure and funding decisions;
- (f) financial reports (including financial statements announcements and Annual Reports);
- (g) accounting, financial, and remuneration policies and practices;
- (h) material contracts, guarantees and commitments;
- (i) conflicts of interest (where permitted by the Company's Constitution), related party transactions, and interested person transactions; and
- (j) resolutions and corresponding documentation to be put forward to shareholders at general meetings.

All Directors are obliged to exercise due diligence and independent judgment, and make decisions objectively in the interests of the Group.

Guideline 1.3

Delegation of authority to Board Committees

The Board comprises four members in FY2017. Of the four Board members, two are Non-Executive Directors and two are Independent Directors.

Name of Director	Board		Board Committees		
	Non-Executive Directors	Independent Directors	ARMC	RC	NC
Mr Tan Soo Kiat	Chairman	—	Member	Member	Member
Mr Guo Wenfei (Alternate Director: Mr Koh Boon How)	Member	—	—	—	—
Mr Goh Kian Chee	—	Lead Independent Director	Chairman	Member	Member
Dr Hong Hai	—	Member	Member	Chairman	Chairman

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The Board has formed the Audit and Risk Management Committee (“**ARMC**”), the Nominating Committee (“**NC**”) and the Remuneration Committee (“**RC**”) (collectively, the “Board Committees” or individually, a “Board Committee”) to assist in carrying out and discharging its duties and responsibilities efficiently and effectively.

These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each Board Committee is also constantly reviewed by the Board.

Guideline 1.4

Meetings of Board and Board Committees

The following table discloses the number of meetings held for Board and Board Committees and the attendance of all Directors in FY2017:

	Board	ARMC	RC	NC
Number of meetings held	6	2	2	1
		Number of meetings attended		
Mr Tan Soo Kiat	6	2	2	1
Mr Goh Kian Chee	6	2	2	1
Dr Hong Hai	6	2	2	1
Mr Guo Wenfei				
(Alternate Director: Mr Koh Boon How)	6	NA	NA	NA

While the Board considers Directors’ attendance at Board meetings as important, it should not be the only criterion to measure their contributions. The Board also takes into account the contributions by Board members in other forms including periodical reviews, provision of guidance and advice on various matters relating to the Group.

The Constitution of the Company provides for Directors to conduct meetings by teleconferencing or videoconferencing. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means. The Board and Board Committees may also make decisions through circular resolutions.

Guidelines 1.6 and 1.7

Orientation, briefings, updates and trainings for Directors

The Company has in place an orientation process. A new incoming Director is issued a formal letter of appointment setting out his duties and obligations.

The new Director will also be briefed by the other Directors and the Management on Group’s strategic direction, governance practices, business and organisation structure, and industry-specific knowledge. The new Director will also be introduced to the senior management to facilitate independent communication channels between the new Director and the senior management.

The NC reviews and makes recommendations on the training and professional development programs to the Board as and when applicable.

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On at least a half yearly basis, and as and when appropriate, the Board is briefed:

- (1) By the Company Secretary and/or the external auditors on the financial, legal and regulatory requirements which include the following:
 - (a) directors' duties in respect of the Group's financial statements;
 - (b) enhanced provisions under the Catalist Rules;
 - (c) amendments to the Companies Act, Chapter 50;
 - (d) Code of Corporate Governance; and
 - (e) financial reporting standards relevant to the Group.
- (2) By the Management on the business environment and outlook for the Group's operations.

BOARD COMPOSITION AND BALANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Guidelines 2.1 and 2.2

Independent element of the Board

The Board consists of four Directors, two of whom are Non-Executive Directors and two are Independent Directors, one of them being the Lead Independent Director.

The Company satisfies the requirement of the Code as half of the Board is made up of Independent Directors.

Guidelines 2.3 and 2.4

Independence of Directors

The criterion for independence is based on the definition given in the Code. The Code has defined an "independent" director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Group. The independence of each Director is reviewed annually by the NC, based on the definition of independence as stated in the Code.

The independence of Dr Hong Hai and Mr Goh Kian Chee as Independent Directors are reviewed by the NC. Both Dr Hong and Mr Goh have confirmed their independence and that they do not have any relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent judgment with a view to the best interests of the Company. The NC has determined that the Independent Directors constructively challenge and help develop proposals on strategy and review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance. The NC considers both Dr Hong and Mr Goh continue to be independent. Dr Hong and Mr Goh have abstained from the NC's deliberations of their respective independence.

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Mr Goh has served as Independent Director for more than nine years. The Board has reviewed the recommendation of the NC on Mr Goh's independence and undertaken a rigorous review of the same. The Board is of the view that Mr Goh has engaged the Board in constructive discussion, his contributions are relevant and reasoned, and he has exercised independent judgement. The Board recognises that Mr Goh has over time developed significant insights in the Group's business and operations, accumulated a wealth of institutional memory for the orderly transfer of such knowledge and to provide significant and valuable contribution objectively to the Board as a whole. The Board considers Mr Goh independent and that his length of services has not affected his independence. Mr Goh has abstained from the Board's rigorous review of his independence.

There are no other relationships or circumstances as stated in the Code that would deem an Independent Director not to be independent.

Guidelines 2.5 & 2.6

Composition and competency of the Board

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience and collectively possess the necessary core competencies for effective functioning and informed decision-making. The NC also considers the renewal of the Board for good governance.

Guideline 2.7

Role of Non-Executive Directors

During the year, the Non-Executive Directors constructively challenge and help develop both the Group's short-term and long-term business strategies. Management's progress and performance in implementing such agreed business strategies are monitored by the Non-Executive Directors.

Guideline 2.8

Regular meetings of Non-Executive Directors

During the year, the Non-Executive Directors communicated among themselves without the presence of Management as and when a need arose. The Company also benefited from Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board committee meetings.

Led by the Lead Independent Director, the Non-Executive Directors meet without the presence of the Management at least once a year.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Guideline 3.1

Separate roles of Chairman and Chief Executive Officer

Mr Tan Soo Kiat is the Non-Executive Chairman of the Board, while Mr Choo Kin Poo is the Chief Executive Officer ("CEO"). Mr Tan Soo Kiat and Mr Choo Kin Poo are not related to each other. The roles of the Chairman and CEO are separate and distinct, each having his own areas of responsibilities. As the Company's CEO, Mr Choo Kin Poo heads the Management and is responsible for the day-to-day management and business affairs of the Group. He reports to the Board and is responsible for ensuring that policies and strategies adopted by the Board are implemented.

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Guideline 3.2

Roles and Responsibilities of the Chairman

Mr Tan Soo Kiat as the Chairman, chairs the meetings of the Board and ensures effectiveness of the Board including setting agenda for Board meetings with input from the Management, and ensures there is sufficient allocation of time for thorough discussion of each agenda item, promoting open environment for debate, and ensuring that all the Directors are able to speak freely and contribute effectively.

Guidelines 3.3 and 3.4

Lead Independent Director

Mr Goh Kian Chee is the Lead Independent Director. Shareholders may contact Mr Goh at the Company's general meetings.

Mr Goh and Dr Hong had meetings periodically without the presence of other Directors. Feedback had been provided to Mr Tan Soo Kiat after such meetings.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

Guideline 4.1

Nominating Committee

The NC comprises three members, a majority of whom are independent. The members of the NC are:

Dr Hong Hai	Chairman	Independent Director
Mr Goh Kian Chee	Member	Lead Independent Director
Mr Tan Soo Kiat	Member	Non-Executive Director

Guideline 4.2

NC's responsibilities

The NC has written terms of reference, under which the key functions of the NC are as follows:

- (a) review of succession plans for directors and key management, in particular, the Chairman and the CEO;
- (b) develop a process for evaluation of the performance of the Board, its Board Committees and Directors, and undertake assessment of the effectiveness of the Board, Board Committees and Directors, including reviewing multiple board representations of directors where applicable;
- (c) review the training and professional development programs for the Board;
- (d) recommend to the Board the appointment and re-appointment of Directors; and
- (e) assess the independence of Independent Directors.

The NC will review Board succession plans for Directors, and will seek to refresh the Board membership in an orderly manner where it deems applicable.

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Guideline 4.3***Determining Directors' independence***

Each Director completes a checklist to confirm his independence on an annual basis. The NC has reviewed the independence of the Directors as mentioned under guidelines 2.3 and 2.4 above.

Guideline 4.4***Multiple board representations***

The NC considers and it is of the view that it would not be appropriate to set a limit on the number of directorships that a Director may hold because Directors have different capabilities, and the nature of the organisations in which they hold appointments and the kind of committees on which they serve are of different complexities, and for each Director to personally determine the demands of his or her competing directorships and obligations and assess the number of directorships they could hold and serve effectively.

Guideline 4.5***Alternate Directors***

Mr Koh Boon How is an Alternate Non-Executive Director to Mr Guo Wenfei. He is an employee of an associate of the controlling shareholder and is familiar with the Group's affairs.

Guideline 4.6***Process for the selection and appointment and re-appointment of Directors***

The NC will conduct an annual review of the composition of the Board in terms of the size and mix of skills and qualifications of Board members. It may, if it deems appropriate, recommend the appointment of additional directors to strengthen the composition of the Board or as part of ongoing Board renewal process. The NC will review and identify the desired competencies for a new appointment.

Where there is a resignation or retirement of an existing director, the NC will re-evaluate the Board composition to assess the competencies for the replacement. Once the NC has determined the desired competencies for an additional or replacement director to complement the skills and competencies of the existing Directors, it will submit its recommendations to the Board for approval. Candidates are first sourced through a network of contacts and identified based on the established criteria. Recommendations from the Directors and the Management are the usual source for potential candidates. Where applicable, search through external search consultants can be considered.

The NC will shortlist candidates and conduct formal interviews with each of them to assess their suitability and to verify that the candidates are aware of the expectations and the level of commitment required. The sponsor will also interview the candidates for their suitability as directors. Finally, the NC will make recommendations on the appointment(s) to the Board for approval.

The Constitution of the Company requires one-third of the Board to retire from office at each annual general meeting ("AGM"). Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every 3 years. Mr Guo Wenfei and Mr Tan Soo Kiat will retire by rotation at the forthcoming AGM pursuant to Regulation 89 of the Constitution of the Company. They have consented to stand for re-election at the forthcoming AGM.

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Guideline 4.7**Key information on Directors**

Particulars of interests of Directors, who held office at the end of the financial year, in shares in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Statement of the Annual Report.

Other key information of each member of the Board including directorships and chairmanships in other listed companies, other major appointments, and academic/professional qualifications can be found in the Board of Directors' profile section of the Annual Report.

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board.

Guidelines 5.1 and 5.2**Conduct of Board performance**

The NC examines the Board's size to satisfy that it is appropriate for effective decision making, taking into account the nature and scope of the Group's operations.

The NC has reviewed and evaluated the performance of the Board as a whole, taking into consideration the attendance record at the meetings of the Board and Board Committees and also the contribution of each Director to the effectiveness of the Board. Notwithstanding that some of the Directors have multiple board representations, the NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group.

This process includes having the Directors complete a performance evaluation form seeking their evaluation on various aspects of board performance, such as the Board's level of governance, effective delegation to the Board Committees, leadership and accountability, which are the same performance criteria used in previous evaluation. The Company Secretary compiles the Directors' evaluation into a consolidated report. The report is discussed at the NC meeting and also shared with the entire Board.

The NC has reviewed the evaluations of the Board and individual Directors and is satisfied that the Board and each of the Board Committees have been effective in the conduct of its duties and the Directors have each contributed to the effectiveness of the Board and the Board Committees.

Guideline 5.3**Evaluation of individual Director**

The individual Director is assessed on his knowledge of the Group's business and operations, business acumen, knowledge of corporate governance, contribution and engagement, communication and integrity. The Chairman will act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.

Where a Director has multiple board representations, the NC will evaluate whether or not the Director is able to carry out and has been adequately carrying out his duties as a Director of the Company. For the current year, the Board is satisfied that each Director has allocated sufficient time and resources to the affairs of the Company.

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ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Guidelines 6.1 and 6.2

Board's access to information

All Directors are from time to time furnished with information concerning the Group to enable them to be fully cognizant of the decisions and actions of the Management. The Board has unrestricted access to the Group's records and information. As a general rule, Board and Board Committee papers are circulated at least three business days prior to the meeting. The Board receives quarterly management financial statements which includes explanations on material variances between projections and actual results.

The Management are available to provide explanatory information in the form of briefings to the Directors or formal presentations in attendance at Board meetings, or by external consultants engaged on specific projects.

Guideline 6.3

Board's access to Company Secretary

The Board has separate and independent access to the Company Secretary and the Management at all times in carrying out their duties. The Company Secretary attends all meetings of the Board and the Board Committees of the Company, and ensures that relevant Board and Board Committee procedures are followed and that applicable rules and regulations are complied with. The minutes of all Board and Board Committee meetings are circulated to the Board.

Guideline 6.4

Appointment and removal of Company Secretary

The appointment and removal of the Company Secretary is subject to the approval of the Board.

Guideline 6.5

Board's access to independent professional advice

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

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REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his remuneration.

Guidelines 7.1 and 7.2

Remuneration Committee

The RC comprises three members, all of whom are Non-Executive and a majority of whom are Independent Directors, including the Chairman of the RC. The members of the RC are:

Dr Hong Hai	Chairman	Independent Director
Mr Goh Kian Chee	Member	Lead Independent Director
Mr Tan Soo Kiat	Member	Non-Executive Director

The RC carried out their duties in accordance with the terms of reference which include the following among other things:

- (a) review and recommend to the Board a framework for remuneration for the Directors and key management personnel of the Group;
- (b) review and recommend Directors' fees for Non-Executive Directors for approval at the AGM;
- (c) determine specific remuneration packages for each executive director (if applicable) as well as key management personnel;
- (d) review the Group's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; and
- (e) review the remuneration of employees who are immediate family members of Directors or the CEO to ensure that the remuneration of each of such employee commensurates with his or her duties and responsibilities, and no preferential treatment is given to him or her.

All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and benefits in-kind, will be covered by the RC. Each RC member will abstain from voting on any resolution in respect of his remuneration package.

The recommendations of the RC will be submitted to the Board for endorsement. The RC will be provided with access to expert professional advice on remuneration matters as and when necessary. The expenses of such services shall be borne by the Company.

There are no termination and retirement benefits that may be granted to the key management personnel.

Guideline 7.3

RC's access to expert advice on remuneration matters

The RC may seek expert advice on Directors' remuneration matters when necessary.

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Guideline 7.4***Service contract***

There are currently no executive directors. Each of the key management personnel has an employment contract with the Company which can be terminated by either party giving notice of resignation/termination. Each appointment is on an ongoing basis and no onerous or over-generous removal clauses are contained in the letter of employment.

LEVEL, MIX AND DISCLOSURE OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Guideline 8.1***Remuneration of executive directors and key management personnel***

In setting remuneration packages, the RC will take into consideration the pay and employment conditions within the industry and in comparable companies.

There are currently no executive directors. The key management personnel are paid a basic salary and a performance-related variable bonus pursuant to their respective service agreements. The factors for paying the bonus are the Group's performance and the performance of the personnel which contributed to the Group's performance.

The RC has reviewed the remuneration framework of the key management personnel to ensure that their compensation aligns with the long term interest of the Group.

Guideline 8.2***Long-term incentive scheme***

The Company has in place share incentive schemes, namely the AsiaMedic Share Award Scheme and the AsiaMedic Employee Share Option Scheme 2016. The RC has reviewed and is satisfied that the existing remuneration structure for key management personnel for their fixed and variable components would continue to be adequate in incentivising performance without being over-excessive.

Guideline 8.3***Remuneration of Non-Executive Directors***

Non-Executive and Independent Directors do not have service contracts. Their fee comprises a basic retainer fee and additional fees for appointment to Board Committees in accordance with their level of responsibilities as chairman or member of the Board Committees or other additional duties.

The RC has reviewed the fee structure for the Non-Executive Directors and Independent Directors as being reflective of their responsibilities and work commitments and recommends the Directors' fee for FY2017 for shareholders' approval at the Company's AGM.

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Guideline 8.4

Contractual provisions

The Company does not have any contractual provisions in the employment contracts for the Company to reclaim incentive components of remuneration from key management personnel. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the operating unit performance (and not on forward-looking results) as well as individual performance, “claw-back” provisions in the service agreements may not be relevant or appropriate.

DISCLOSURE OF REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company’s annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Guidelines 9.1, 9.2 and 9.3

Remuneration report

The remuneration of the Directors and CEO of the Company for FY2017 is as follows:

	Directors’ fee %	Salary %	Bonus %	Other benefits %	Total %
<u>Non-Executive Directors</u>					
Mr Tan Soo Kiat	100%	—	—	—	100%
Mr Guo Wenfei	100%	—	—	—	100%
<u>Independent Directors</u>					
Mr Goh Kian Chee	100%	—	—	—	100%
Dr Hong Hai	100%	—	—	—	100%
<u>Chief Executive Officer</u>					
Choo Kin Poo	—	92%	—	8%	100%

The aggregate Directors’ fee for FY2017 was S\$151,000. The Directors’ fee of each Director was below S\$100,000. The remuneration band of Mr Choo Kin Poo, the CEO of the Company, for FY2017 is below S\$250,000.

Top five key management personnel

The Code recommends that the remuneration of at least the top five key management personnel (who are not Directors or the CEO) be shown in bands of S\$250,000. However, the Company believes that it is not in the best interests of the Company to disclose the details of the remuneration of each of the top five key management personnel given the highly competitive industry conditions.

Under the Group’s organizational structure, there were only four top key management personnel (who are not Directors or the CEO) in FY2017. The aggregate total remuneration paid to the top four key management personnel amounted to S\$1,421,000 for FY2017.

Guideline 9.4

Employee related to Directors/CEO

The Company does not have any employee who is an immediate family member of a Director or CEO whose remuneration exceeded S\$50,000 in FY2017.

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Guideline 9.5***Employee share scheme***

The AsiaMedic Employee Share Option Scheme, approved at an extraordinary general meeting held on 19 January 2016 was put in place to allow the Company to have flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees. No options or shares were issued for FY2017.

Guideline 9.6***Link between remuneration and performance***

The performance of all staff (including key management personnel) are evaluated annually. Key performance indicators of key management personnel include their departmental performance, operational efficiencies and cost controls. The overall assessment of the key management personnel as well as their remuneration package are submitted to the RC for review.

ACCOUNTABILITY AND AUDIT**Accountability**

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Guideline 10.1***Accountability for Company's performance, position and prospects***

The Board is accountable to the shareholders and is mindful of its obligations to ensure compliance with the Catalist Rules. The Directors have each signed the respective undertaking in the form set out in Appendix 7H of the Catalist Rules to undertake to use their best endeavours to comply with the Catalist Rules and to procure that the Company shall so comply. The Directors have also procured a similar undertaking by the CEO and the Group Financial Controller ("GFC") in their capacity as Executive Officers.

In presenting the Group's annual and half yearly financial statements to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Group's performance, position and prospects.

Guideline 10.2***Compliance with legislative and regulatory requirements***

The Board also reviews regulatory compliance reports from the Management to ensure that the Group complies with the relevant regulatory requirements.

Guideline 10.3***Management accounts***

The Management provides members of the Board with management accounts which present a balanced and understandable assessment of the Group's monthly performance, position and prospects on at least a quarterly basis.

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RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Guidelines 11.1 and 11.2

Risk management and internal controls system

The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of operational, financial and compliance risks. The Board approves the key management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instils the right risk focused culture throughout the Group for effective risk governance.

The Board has approved a Group Risk Management Framework for the identification of key risks within the business which is aligned with the ISO 31000:2009 Risk Management framework.

Management's responsibilities in risk management

The Management reports to the ARMC on the Group's risk profile, the status of risk mitigation action plans and updates on the following areas:

- Assessment of the Group's key risks by major business units and risk categories.
- Identification of specific risk owners who are responsible for the risks identified.
- Description of the processes and systems in place to identify and assess risks.
- Status and changes in action plan undertaken to manage key risks.
- Description of the risk monitoring and escalation processes and also the control systems in place.

Annual review of risk management and internal control systems

The Board with the assistance of the ARMC has undertaken an annual assessment on the adequacy and effectiveness of the Group's risk management and internal control systems. The assessment considered issues dealt with in reports reviewed by the ARMC and the Board during the year together with any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for FY2017.

In order to obtain assurance that the risks are managed adequately and effectively, the Board had reviewed an overview of the risks which the Group is exposed to, as well as an understanding of what counter-measures and internal controls are in place to manage them.

The Management is responsible for designing, implementing and monitoring the risk management and internal control systems in accordance with the policies on risk management and internal controls.

The Board has obtained a written confirmation from the CEO and the GFC that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) the internal controls established and maintained are adequate and effective in addressing the operational, financial, compliance, and information technology risks faced by the Group.

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Guideline 11.3

Board's comment on adequacy and effectiveness of internal controls

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, whistle blowing policy and reviews performed by the Management, the Board and relevant Board Committees, the ARMC and the Board are of the opinion that the Group's risk management and internal control systems are adequate and effective to address the financial, operational, compliance and information technology controls for FY2017.

The Board notes that system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Guideline 11.4

Risk Committee

The ARMC assists the Board in its risk oversight to ensure that a review of the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management systems, is conducted annually.

AUDIT AND RISK MANAGEMENT COMMITTEE

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

Guideline 12.1

Audit and Risk Management Committee membership

The Audit and Risk Management Committee ("ARMC") comprises three members, all of whom are Non-Executive and the majority of whom are Independent Directors. The ARMC comprises the following members:

Mr Goh Kian Chee	Chairman	Lead Independent Director
Dr Hong Hai	Member	Independent Director
Mr Tan Soo Kiat	Member	Non-Executive Director

Guidelines 12.2 and 12.8

Expertise of ARMC members

Widely experienced in regional management and finance, Mr Goh (the ARMC Chairman) had previously held senior executive positions with large multinational companies. The other members of the ARMC have extensive experience in accounting, corporate finance, business management and strategic planning. The Board is satisfied that the members of the ARMC have recent and relevant accounting or related financial management expertise or experience to discharge the ARMC's functions.

CORPORATE GOVERNANCE REPORT

Guidelines 12.3 and 12.4**Roles, responsibilities and authorities of ARMC**

The ARMC functions under the terms of reference which set out the following among other things:

- (a) to review the audit plans of both the internal and external auditors;
- (b) to review the auditors' reports and their evaluation of the Group's system of internal controls;
- (c) to review the co-operation given by the Group's officers to the internal and external auditors;
- (d) to review the financial statements of the Group with external auditors and to receive assurance from the CEO and the CFO (or equivalent) before submission to the Board;
- (e) to review the effectiveness and adequacy of the internal audit and finance functions and co-operation given by the Group's Management to the internal and external auditors;
- (f) to nominate and review the appointment of the internal and external auditors;
- (g) to review the independence and audit quality indicators of the external auditors and make recommendations to the Board on the appointment, re-appointment and removal of the external auditors;
- (h) to review interested person transactions and potential conflicts of interest; and
- (i) to review arrangements by which the staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting.

The ARMC also reviewed the key audit matters ("KAMs") set out in the external auditor's report for FY2017. The external auditor has identified the KAMs as (i) impairment assessment on goodwill, (ii) impairment assessment on property, plant and equipment, and (iii) impairment assessment on investment in subsidiaries and amounts due from subsidiaries.

The ARMC considered and evaluated the methodology and key assumptions applied by the management in the impairment assessment on goodwill. The ARMC reviewed the appropriateness and reasonableness of the underlying assumptions applied in determining the recoverable amount of the cash generating units identified in the impairment assessment on goodwill.

The ARMC considered and evaluated the methodology and key assumptions applied by the management in the impairment assessment on property, plant and equipment. The ARMC reviewed the appropriateness and reasonableness of the underlying assumptions applied in determining the recoverable amount of the cash generating units identified in the impairment assessment on property, plant and equipment.

The ARMC considered and evaluated the methodology and key assumptions applied by the management to determine the impairment assessment on investment in subsidiaries and amounts due from subsidiaries. The ARMC reviewed the appropriateness and reasonableness of the underlying assumptions applied in determining the recoverable amount of the subsidiaries identified in the impairment assessment on investment in subsidiaries and amounts due from subsidiaries.

The ARMC has the power to conduct or authorise investigations into any matter within the ARMC's scope of responsibility. The ARMC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

Each member of the ARMC shall abstain from voting on any resolutions in respect of matters he is interested in.

The ARMC has full access to and co-operation of the Management and has full discretion to invite any Director, employee or consultant to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

CORPORATE GOVERNANCE REPORT

Guideline 12.5

Meeting with external and internal auditors without presence of the Management

The ARMC meets with both the internal and external auditors without the presence of the Management at least once a year.

Guideline 12.6

Independence of external auditors

The external auditors of the Group are Ernst & Young LLP. They are registered with the Accounting and Corporate Regulatory Authority and a suitable audit firm in accordance with Rule 712 of the Catalist Rules. Different auditors have been appointed for the Group's associated company. The name of the auditors is disclosed in the financial statements. The Board and the ARMC are satisfied that the appointment of different auditors for its associated company would not compromise the standard and effectiveness of the audit of the Group, and accordingly, Rule 716 of the Catalist Rules has been complied with.

The ARMC considers the external auditors' findings and where necessary sought further confirmation or explanation from Management. On the key audit matters mentioned by the external auditors, the ARMC discussed with the external auditors and Management, and deemed that the list of key audit matters has been appropriately addressed and disclosed in the financial statements.

The audit fees payable to the external auditors in relation to the proposed acquisition of the entire share capital of LuyeEllium Healthcare Co., Ltd in FY2017 amounted to S\$214,000. The ARMC has reviewed the scope and value of such services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice their independence and objectivity. There were no other non-audit fees payable to the external auditors.

The ARMC is also satisfied with the adequacy of the scope and quality of the audits reviews performed by the external auditors. The ARMC has recommended that Ernst & Young LLP be nominated for re-appointment as auditors at the forthcoming AGM.

Guideline 12.7

Whistle-blowing

The Company has in place a whistle-blowing policy which is published in the handbook of human resources department. The handbook clearly defines the scope of the whistle-blowing and sets out the procedures for raising concern or making a complaint and the process of investigation and dealing with the outcome of the investigation.

Staff are free to bring complaints to the attention of their supervisors and department heads, the human resources manager, or the CEO. The recipient of such complaints shall forward them promptly to the ARMC Chairman. Staff also can choose to send the complaint directly to the ARMC Chairman. The ARMC Chairman will treat all information received confidentially and protect the identity of all whistle-blowers. Following investigation and evaluation of a complaint, the ARMC Chairman shall report to the ARMC on recommended disciplinary or remedial action, if any. The action determined by the ARMC to be appropriated shall then be brought to the Board or to appropriate members of senior management for authorization and implementation respectively.

The policy is communicated to all staff of the Group as part of the Company's efforts to promote awareness of fraud control.

Guideline 12.8

ARMC to keep abreast of changes to accounting standards

In addition to the activities undertaken to fulfil its responsibilities, the ARMC is kept up to date by the management, external and internal auditors on changes to financial reporting and accounting standards, SGX-ST rules and other codes and regulations which can have an impact on the Group's business and financial statements.

Guideline 12.9

Partners or directors of the Company's auditing firm

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the ARMC.

CORPORATE GOVERNANCE REPORT

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

Guidelines 13.1 and 13.2

Internal auditors

Guideline 13.5

Adequacy and effectiveness of internal audit function

Guidelines 13.3 and 13.4

Internal audit function

The Company outsources its internal audit function to Yang Lee & Associates. The internal auditors report directly to the ARMC and internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the ARMC periodically.

The ARMC reviews and approves the internal audit scope and plan to ensure that there is sufficient coverage of the Group's activities. It also oversees the implementation of the internal audit plan and ensures that the management provides the necessary co-operation to enable the IA to perform its function.

The internal auditors are guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

The ARMC reviews the adequacy of the internal audit function annually to ensure that the internal audits are performed effectively. The ARMC is satisfied that the internal auditors are staffed by qualified and experienced personnel.

The internal auditors completed one review during FY2017 in accordance with the internal audit plan approved by the ARMC with reference to the Group Risk Management Framework. During the review, the internal auditors have unfettered access to the relevant documents, records, properties and personnel of the Group. The findings and recommendations of the internal auditors, the management's responses, and the management's implementation of the recommendations have been reviewed and approved by the ARMC.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Guideline 14.1

Sufficient information to shareholders

In line with the continuous obligations of the Company pursuant to the Catalist Rules, the Board's policy is that all shareholders be informed of all major developments that impact the Group.

The Group also maintains a website at <http://www.asiamedic.com.sg> at which shareholders can access information on the Group. The website provides, *inter alia*, corporate announcements, press releases and profiles of the Group.

CORPORATE GOVERNANCE REPORT

Information is disseminated to shareholders on a timely basis through:

- (a) SGXNET announcements and news releases;
- (b) Annual Reports issued to all shareholders;
- (c) press releases on major developments of the Group;
- (d) notices of and explanatory notes for the AGMs and extraordinary general meetings ("EGMs"); and
- (e) the Company's website at www.asiamedic.com.sg, where shareholders can access information on the Group.

In accordance with the Catalist Rules of the SGX-ST, the Company does not practise selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Listing Rules.

Guideline 14.2

Providing opportunity for shareholders to participate and vote at general meetings

To facilitate participation by Shareholders, all general meetings of the Company are held in Singapore. Shareholders have the opportunity to participate effectively in and to vote at general meetings of Shareholders.

Guideline 14.3

Proxies for nominee companies

The Company will have separate resolutions at general meetings on each distinct issue. The Company's Constitution allows a member (other than a relevant intermediary as defined in Section 181 of the Companies Act) to appoint one or two proxies to attend and vote at its general meetings. The Companies Act allows relevant intermediaries which include CPF agent banks nominees to appoint multiple proxies, and empower CPF investors to attend and vote at general meetings of the Company as their CPF agent banks' proxies.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Guidelines 15.1 and 15.2

Timely information to and engagement with shareholders

The Company's AGMs are the principal forums for dialogue with shareholders. The Chairmen of the various Board Committees are normally available at the meetings to answer any question relating to the work of the Board Committees. The external auditors shall also be present to assist the Directors in addressing any relevant queries by the shareholders.

Guideline 15.3

Regular dialogue with shareholders

Shareholders are encouraged to attend the AGMs and the EGMs to ensure a high level of accountability and to stay apprised of the Group's strategy and goals. Notices of the meetings will be advertised in the newspapers and announced on the SGXNET. Minutes of meetings are also taken.

CORPORATE GOVERNANCE REPORT

Guideline 15.4***Soliciting and understanding views of shareholders***

All Directors, including chairpersons of the ARMC, NC and RC are encouraged to be present at the AGM. At the AGM, shareholders are given the opportunity to engage the Board and Management on the Group's business activities, financial performance and other business-related matters.

Guideline 15.5***Dividend***

The details of dividend payment to shareholders will be disclosed via the release of the announcements through SGXNET. For FY2017, no dividend is declared or recommended due to the performance of the Group. The Company does not have a policy on payment of dividend. The Board will consider the Group's level of cash and retained earnings and projected working capital requirements, capital expenditure and investments in proposing a dividend.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Guideline 16.1***Effective shareholders' participation***

All resolutions at the forthcoming AGM would be put to vote by poll. This will allow greater transparency and more equitable participation by shareholders. Voting and vote tabulation procedures are disclosed at the general meetings. The poll results will be read out to shareholders immediately after vote tabulations. The result of the resolutions is also announced after the general meetings via SGXNET.

The Company does not consider voting in absentia by remote means as this may only be possible with legislative changes to effect and recognise remote voting. The Company's constitution allowing appointment of proxies as mentioned above allows a shareholder who is absent from a general meeting to exercise his vote in absence through his proxy or proxies.

Guideline 16.2***Separate resolutions at general meetings***

The Company will have separate resolutions at general meetings on each distinct issue.

Guideline 16.3***Attendance of Chairman of the Board and Board Committees at general meetings***

The Directors, including the chairpersons of each of the Board Committees are available at the meetings to address shareholders' queries. The external auditors shall also be present to assist the Directors in addressing any relevant queries by the shareholders.

Guideline 16.4***Minutes of general meetings***

The minutes of the general meetings are taken and are available to shareholders for their inspection upon request.

CORPORATE GOVERNANCE REPORT

Guideline 16.5

Results of resolutions by poll

All resolutions at general meetings are put to vote by electronic poll. Voting and vote tabulation procedures are disclosed at the general meetings. Votes cast for, or against, each resolution will be read out at shareholders immediately after vote tabulations. The total numbers of votes cast for or against the resolutions are also announced after the general meetings via SGXNET.

DEALINGS IN SECURITIES

In line with Rule 1204(19) of the Catalist Rules, the Company does not deal in its own shares one month before the announcement of the Group's half-year and year-end financial statements. The Company issues circulars to its Directors and staff to remind them that (i) they should not deal in shares of the Company on short-term considerations or if they are in possession of unpublished material price-sensitive information; and (ii) they are required to report on their dealings in shares of the Company. The Directors and staff are also reminded of the prohibition in dealing in shares of the Company one month before the announcement of the Group's half-year and year-end financial statements. The restriction in dealings in securities is also extended to directors, employees and staff of the subsidiary companies.

INTERESTED PERSON TRANSACTIONS

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Brookline Medical Pte. Ltd.	Nil	S\$201,000 (Provision of imaging services under the general mandate)

As announced on 20 April 2017, 27 October 2017 and 28 February 2018, the Company had entered into a conditional sale and purchase agreement with Luye Medical Group Pte Ltd, a controlling shareholder of the Company, and three other vendors for the proposed acquisition by the Company of the entire issued and paid up share capital of LuyeEllium Healthcare Co., Ltd. for an aggregate consideration of S\$42,168,000. The proposed acquisition, if proceed, will be subject to the approval of independent shareholders of the Company.

On 1 March 2018, the Group entered into an unsecured, interest-bearing loan agreement for a facility of up to an aggregate principal amount of S\$5,000,000 with Luye Medical Group Pte Ltd, a controlling shareholder of the Company. Proceeds drawn down from this facility will be principally utilised for the Group's working capital, capital expenditure and general corporate purposes. The Group may draw down the facility, in integral of S\$1,000,000, any time until 29 February 2020. The interest shall be calculated based on the average of the prime lending rates of the 3 Singapore banks on the date of draw down.

Saved as disclosed, there were no other reportable interested person transactions.

MATERIAL CONTRACTS

Saved as disclosed, there were no material contracts entered into by the Company or any of its subsidiary companies involving the interest of the Directors or a controlling shareholder.

NON-SPONSOR FEES

In addition to the annual fee payable to the sponsor, the Company engages the sponsor as its financial adviser for the proposed acquisition of the entire share capital of LuyeEllium Healthcare Co., Ltd and the fee payable amounted to S\$215,000 in FY2017.