

# 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 2018 (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 2020 (“FY2020”). The Company confirms that it has adhered to the principles and guidelines of the Code and has specified each area of non-compliance, where appropriate. The Company will continue to improve its systems and corporate governance processes in compliance with the Code. Some of the information required under the Code are set out in other sections of this Annual Report. Hence, shareholders should read this Annual Report in entirety.

## BOARD MATTERS

### The Board’s Conduct of Affairs

**Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long term success of the company.**

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

		Date of appointment as Director
Mr Charles Wang Chong Guang	Non-Executive Chairman	23 March 2019
Mr Tan Soo Kiat	Non-Executive Director	3 June 2015
Mr Goh Kian Chee	Independent Director	27 February 2006
Mr Chua Keng Woon	Independent Director	15 August 2018
Mr Leong Yew Meng	Independent Director	16 July 2020
Ms Joelle Lee Siew Hong	Alternate Non-Executive Director to Mr Charles Wang	11 August 2020

Mr Tan Soo Kiat and Mr Goh Kian Chee will be retiring at the forthcoming Annual General Meeting to be held on 29 April 2021 and will not be seeking re-election.

### **Provision 1.1** **Board’s role**

The primary role of the Board is to lead and control the Group. It provides entrepreneurial leadership and sets the strategies of the Group (comprising the Company and its subsidiaries). The Board sets directions and goals for the Management (comprising the key executive officers of the Group) which include appropriate focus on value creation, innovation and sustainability. The Board believes that focus on sustainability will place the Group in a better position to create value for shareholders while looking after the broader stakeholder community.

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 is responsible for establishing and maintaining a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and company performance. The Board supervises the Management and monitors its performance.

The Board is responsible for the overall corporate governance of the Group including instilling an ethical corporate culture and ensuring that the Company’s values, standards, policies and practices are consistent with the culture. The Board has put in place a code of conduct and ethics which require the Directors facing conflicts of interest to recuse themselves from discussion and decisions involving the issues of conflict. The Board also adopted internal guidelines governing matters that require the Board’s approval.

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### ***Provision 1.2***

#### ***Scope of director's duties***

The Board is accountable to the shareholders and the Directors are aware of their duties at law which require them to act in good faith and the best interests of the Company and to comply 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 Chief Operating Officer ("COO") and the Group Financial Controller ("GFC") in their capacity as Executive Officers.

#### ***Induction, training and development of new and existing 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 the Group's strategic direction, corporate 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.

Mr Leong Yew Meng and Ms Joelle Lee Siew Hong who were appointed to the Board during the financial year have attended the Listed Entity Director Essentials Course conducted by the Singapore Institute of Directors.

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

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) provisions under the Catalist Rules;
  - (c) provisions of the Singapore 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.

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### **Provision 1.3**

#### **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.

The Board has delegated to the EXCO (as defined herein and its role further elaborated in the ensuing section) the authority to approve such expenditures up to a certain threshold.

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

### **Provision 1.4**

#### **Delegation of authority to board committees**

As at the date of this report, the Board comprises five members, of whom two are Non-Executive Directors and three are Independent Directors.

Name of Director	Board		Board Committees		
	Non-Executive Directors	Independent Directors	ARMC	RC	NC
Mr Charles Wang Chong Guang	Chairman	–	–	Member	–
Mr Tan Soo Kiat	Member	–	Member	–	Member
Mr Goh Kian Chee	–	Member	Chairman	Chairman	–
Mr Chua Keng Woon	–	Member	Member	–	Chairman
Mr Leong Yew Meng	–	Member	–	Member	Member

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

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These Board Committees function within clearly defined terms of reference and operating procedures including procedures for dealing with conflicts of interest. A Board Committee member is required to disclose his interest and recuse himself from discussions and decisions involving a conflict of interest. The effectiveness of each Board Committee is constantly reviewed by the Board.

The EXCO was constituted on 26 November 2020. The objectives of the EXCO, amongst others, are to assist the Board in the following:

- (a) Consider the Group's business plan and annual budget;
- (b) Consider the overall performance of the Group and provide recommendations to enhance performance;
- (c) Providing direction and guidance to management and overseeing the Management's performance; and
- (d) Facilitating decision making by the Board relating to important strategic and major operational issues faced by the Group, by making recommendation and proposal to the Board.

The current EXCO is made up of the following members: Mr Charles Wang Chong Guang (Non-Executive Chairman), Ms Joelle Lee Siew Hong (Alternate Non-Executive Director to Mr Charles Wang), Dr Wong Kae Thong (Chief Operating Officer) and Mr Stanley Woo (Group Financial Controller).

The information on the AC, RC and NC are disclosed in this report below.

### **Provision 1.5**

#### **Meetings of Board and board committees**

The following table discloses the number of meetings held for Board and Board Committees and the attendance of the Directors in FY2020:

	Board	Types of meetings		
		ARMC	RC	NC
Mr Charles Wang Chong Guang	7/7	–	1/1	–
Mr Tan Soo Kiat	7/7	2/2	–	1/1
Mr Goh Kian Chee	7/7	2/2	1/1	–
Mr Chua Keng Woon	7/7	2/2	–	1/1
Mr Lawrence Peter Lim Hong Haw <sup>(1)</sup>	4/4	–	1/1	1/1
Mr Leong Yew Meng <sup>(2)</sup>	3/3	–	–	–

(1) Mr Lawrence Peter Lim Hong Haw retired as Independent Director on 19 June 2020.

(2) Mr Leong Yew Meng was appointed Independent Director on 16 July 2020.

In addition to the above formal meetings, the Directors also had discussions in the course of the financial year.

The NC takes into consideration other listed board representations held by the Directors and ensures that Directors give sufficient time and attention to the affairs of the Group. 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.

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### ***Provision 1.6***

#### ***Board's access to information***

All Directors have access to complete and adequate information on timely basis. 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 monthly financial reports by the Management which includes explanations on material variances between projections and actual results.

The Management are available to provide explanatory information in the form of briefings or formal presentations to the Directors in attendance at Board meetings.

### ***Provision 1.7***

#### ***Board's access to Management, Company Secretary and external advisers***

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

Each Director also has separate and independent access to external advisers engaged by the Group and 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.

## **BOARD COMPOSITION AND BALANCE**

**Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.**

### ***Provision 2.1***

#### ***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 substantial 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 Mr Goh Kian Chee, Mr Chua Keng Woon and Mr Leong Yew Meng as Independent Directors are reviewed by the NC. They have confirmed their independence and that they do not have any relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent judgement 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 them to be independent. They 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 assessment and 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 demonstrated independent judgement in his deliberations at Board and Board Committee meetings. 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 provided significant and valuable contribution objectively to the Board as a whole. Hence, 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 review of his independence.

Mr Goh has informed that he is not seeking re-election and will retire at the forthcoming annual general meeting of the Company ("AGM") due to the nine-year cap rule on director independence under the Catalist Rules.

### ***Provisions 2.2 and 2.3*** ***Independent element of the Board***

The Board consists of five Directors, two of whom are Non-Executive Non-Independent Directors and three are Independent Directors.

The Company satisfies the requirements of Rule 406(3)(c) of the Catalist Rules and the Code as the Board comprises wholly Non-Executive Directors and a majority of the Board is made up of Independent Directors.

### ***Provision 2.4*** ***Composition and diversity of the Board***

With the retirement of Mr Tan Soo Kiat and Mr Goh Kian Chee at the forthcoming AGM, the Board will comprise three members, namely Mr Charles Wang (Non-Executive Chairman), Mr Chua Keng Woon (Independent Director) and Mr Leong Yew Meng (Independent Director). While the Board continues to comply with the Code (in terms of Board composition) after the cessation of Mr Tan's and Mr Goh's directorships, the Board intends to appoint an additional director for better board diversity.

While the Board has not adopted any diversity policy, the NC reviews the composition and diversity of the Board at least once annually 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.

### ***Provision 2.5*** ***Role of non-executive directors***

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

During the year, the Non-Executive Directors (which include the Independent Directors) communicated among themselves without the presence of the Management as and when a need arose. The Company also benefited from the 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.

The Non-Executive Directors meet without the presence of the Management at least once a year.

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## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

**Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.**

### **Provision 3.1**

#### ***Separate roles of Chairman and Chief Executive Officer***

The roles of Chairman and Chief Operating Officer ("COO") are separate. The Group does not have a Chief Executive Officer ("CEO").

While Mr Charles Wang (the Non-Executive Chairman of the Board) is a member of the EXCO, Mr Charles Wang (and the EXCO) do not take on the role of a CEO.

### **Provision 3.2**

#### ***Roles and Responsibilities of the Chairman***

The roles of the Chairman and CEO/COO are separate and distinct, each having his own areas of responsibilities.

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 that 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.

The Company's COO heads the Management and is responsible for the day-to-day management and business affairs of the Group. The Company's COO reports to the Board and is responsible for ensuring that policies and strategies adopted by the Board are implemented.

### **Provision 3.3**

#### ***Lead independent director***

The Board has considered the Group's current business scale and operations and noted that three out of its five board members are Independent Directors. The Independent Directors and the Non-Executive Directors individually and collectively are available to shareholders as a channel of communication between shareholders and the Board or the Management. With the retirement of Mr Tan Soo Kiat and Mr Goh Kian Chee at the forthcoming AGM, the Board will comprise three members, out of which two are independent directors. Given the size of the Board, there is no need for a Lead Independent Director ("LID"). The Board will review the need for the appointment of a LID periodically.

## BOARD MEMBERSHIP

**Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.**

### **Provisions 4.1 and 4.2**

#### ***Nominating Committee***

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

Mr Chua Keng Woon	Chairman	Independent Director
Mr Leong Yew Meng (from 16 July 2020)	Member	Independent Director
Mr Tan Soo Kiat	Member	Non-Executive Director

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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 personnel, 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.

### ***Provision 4.3***

#### ***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 a Director appointed by the Board to hold office only until the next Annual General Meeting and shall be eligible for re-election. Accordingly, Mr Leong Yew Meng who was appointed by the Board on 16 July 2020 will retire at the forthcoming AGM pursuant to Regulation 88 of the Constitution of the Company.

The Constitution of the Company requires one-third of the Board to retire from office at each AGM. Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every 3 years. Mr Tan Soo Kiat and Mr Goh Kian Chee will retire by rotation at the forthcoming AGM pursuant to Regulation 89 of the Constitution of the Company and will not be seeking re-election.

In accordance with Catalist Rule 720(5), information as set out in Appendix 7F on Mr Leong Yew Meng are provided together with the resolutions on his proposed re-election.



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## ***Provision 4.4***

### ***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 Provision 2.1.

## ***Provision 4.5***

### ***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.

The NC has considered other listed board representations held by the Directors to satisfy itself that the Directors give sufficient time and attention to the affairs of the Group.

During the year, due to travel restrictions arising from the COVID-19 pandemic, Mr Charles Wang (who is based in Hong Kong) has appointed Ms Joelle Lee (based on Singapore) as his Alternate Director. The appointment was not due to insufficient time and attention on the part of Mr Charles Wang.

### 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: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.**

## ***Provisions 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 individual Directors also complete a self and peer assessment form. The Company Secretary compiles the Board and individual Directors' evaluation into a consolidated report. The report is discussed at the NC meeting and also shared with the entire Board.

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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.

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.

The Company does not use any external professional facilitator for the assessments of the Board, Board Committees and individual Directors, and will consider the use of such facilitator as and when appropriate.

### REMUNERATION MATTERS

#### Procedures for Developing Remuneration Policies

**Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.**

#### *Provisions 6.1 and 6.2*

#### *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:

Mr Goh Kian Chee	Chairman	Independent Director
Mr Leong Yew Meng (from 16 July 2020)	Member	Independent Director
Mr Charles Wang Chong Guang	Member	Non-Executive Chairman

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, CEO, COO and key management personnel of the Group;
- (b) review and recommend Directors' fees for Non-Executive Directors (including Independent Directors) for approval at the AGM;
- (c) determine specific remuneration packages for each executive director (if applicable), CEO, COO as well as key management personnel;
- (d) review the Group's obligations arising in the event of termination of the executive directors', CEO's, COO's 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, CEO or COO 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.

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## ***Provision 6.3***

### ***Review of remuneration***

There are currently no Executive Directors and CEO. There are no termination and retirement benefits that may be granted to the COO or any key management personnel.

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.

## ***Provision 6.4***

### ***Engagement of remuneration consultants***

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. No such consultant was engaged in FY2020.

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

## **LEVEL, MIX AND DISCLOSURE OF REMUNERATION**

**Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.**

## ***Provision 7.1***

### ***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 and CEO. The COO is paid a basic salary, responsibility allowances and performance-related variable bonus pursuant to her service agreement. The key management personnel of business units (other than GFC) are paid a basic salary, productivity incentives and performance-related variable bonus pursuant to their respective service agreements. The GFC is paid a basic salary and performance-related variable bonus pursuant to his respective service agreement. The factors for paying the variable bonus are the Group's performance and the performance of the personnel which contributed to the Group's performance.

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

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.

## ***Provision 7.2***

### ***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 FY2020 for shareholders' approval at the AGM.

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### Provision 7.3

#### *Appropriate remuneration to attract, retain and motivate key management personnel and directors*

The Company has in place share award and share option schemes, namely the AsiaMedic Share Award Scheme and the AsiaMedic Employee Share Option Scheme 2016. Non-Executive Independent Directors and Non-Executive Non-Independent Directors are also eligible for participation in the above schemes. The schemes are means to attract, retain and motivate key management personnel and where applicable, such Directors.

### DISCLOSURE OF REMUNERATION

**Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.**

### Provision 8.1

#### *Remuneration report*

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.

The Company does not have any Executive Directors. Non-Executive Directors are paid fees comprising 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.

#### Directors and COO

The remuneration of the Directors and COO for FY2020 were as follows:

	Directors' fee %	Salary %	Bonus %	Other benefits %	Total %
<b>Below S\$250,000</b>					
<u>Non-Executive Directors</u>					
Mr Charles Wang Chong Guang	100%	—	—	—	100%
Mr Tan Soo Kiat	100%	—	—	—	100%
<u>Independent Directors</u>					
Mr Goh Kian Chee	100%	—	—	—	100%
Mr Chua Keng Woon	100%	—	—	—	100%
Mr Lawrence Peter Lim Hong Haw <sup>(1)</sup>	100%	—	—	—	100%
Mr Leong Yew Meng <sup>(2)</sup>	100%	—	—	—	100%
<b>S\$250,000 – S\$500,000</b>					
<u>Chief Operating Officer</u>					
Dr Wong Kae Thong	—	86%	10%	4%	100%

#### Notes:

(1) Mr Lawrence Peter Lim Hong Haw retired on 19 June 2020.

(2) Mr Leong Yew Meng was appointed on 16 July 2020.

The aggregate Directors' fee was S\$165,247 for FY2020 (FY2019: S\$154,096). The increase is due mainly to the appointment of an additional independent director from 1 Oct 2019 to comply with the corporate governance requirement that independent directors should make up a majority of the Board where the Chairman is not independent.

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### Top five key management personnel (who are not Directors or CEO or COO)

The aggregate remuneration of the top 5 management personnel amounted to S\$716,871 for FY2020. As the number of key management personnel is less than 5 under the Group's organisational structure, the list of top 5 management personnel includes key managerial positions.

The Code recommends that the names and remuneration of at least the top five key management personnel (who are not Directors or 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 names and details of the remuneration of such personnel given the highly competitive industry conditions.

#### ***Provision 8.2***

##### ***Employee related to Directors, CEO or COO***

The Group does not have any employee who is an immediate family member of a Director, CEO or COO in FY2020.

#### ***Provision 8.3***

##### ***Employee share award and share option schemes***

The Company has in place an employee share award scheme and an employee share option scheme to allow the Company to have the flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees. No share awards or share options were issued in FY2020.

## ACCOUNTABILITY AND AUDIT

### **Risk Management and Internal Controls**

**Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.**

#### ***Provision 9.1***

##### ***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. This Framework defines 14 categories of risks pertaining to operational, financial, and compliance risks. Major incidents and violations, if any, are reported to the Board to facilitate the Board's oversight of the effectiveness of crisis management and the adequacy of mitigating measures taken by the Management to address the underlying risks.

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.

## CORPORATE GOVERNANCE REPORT

### 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 FY2020.

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.

### ***Provision 9.2***

#### ***Assurances from COO and GFC***

The Board has obtained a written confirmation from the COO 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 risk management and internal control systems are adequate and effective in addressing the operational, financial, compliance, and information technology risks faced by the Group.

### ***Board's comment on adequacy and effectiveness of internal controls and risk management systems***

Based on the internal controls and risk management 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 Board is of the opinion that the Group's risk management and internal control systems (comprising financial, operational, compliance and information technology controls) for FY2020 are adequate and effective. The ARMC concurs with the Board's opinion based on their reviews of audit findings on internal controls and risks with the internal and external auditors, and the whistle blowing policy and procedures which are in place.

The Board notes that the 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.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

**Principle 10: The Board has an Audit Committee which discharges its duties objectively.**

### *Provisions 10.1 and 10.2*

#### ***Audit and Risk Management Committee***

The 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	Independent Director
Mr Chua Keng Woon	Member	Independent Director
Mr Tan Soo Kiat	Member	Non-Executive Director

Widely experienced in regional management and finance, Mr Goh 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. 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, the SGX-ST rules and other codes and regulations which can have an impact on the Group's business and financial statements.

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.

#### ***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 effectiveness, adequacy, independence, scope and results of the external audit and the internal audit;
- (e) to review the financial statements of the Group with external auditors and to receive assurance from the CEO (or the COO) and the CFO (or equivalent) before submission to the Board;
- (f) to review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
- (g) to nominate and review the appointment of the internal and 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 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.

## CORPORATE GOVERNANCE REPORT

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.

### Independence and quality 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. A different auditor has been appointed for the Group's associated company. The name of the auditor is disclosed in the financial statements. The Board and the ARMC are satisfied that the appointment of different auditor 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 the Management. On the key audit matters mentioned by the external auditors, the ARMC discussed with the external auditors and the Management and deemed that the list of key audit matters has been appropriately addressed and disclosed in the financial statements.

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

### Whistle-blowing

The Company has in place a whistle-blowing policy which is published in the employee handbook of the 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 any of the senior management. 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 the 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.

### ARMC's comments on key audit matters

The ARMC also reviewed the key audit matters ("KAMs") set out in the external auditor's report for FY2020. The external auditor has identified the KAMs as (i) going concern assessment, (ii) impairment assessment on goodwill, (iii) impairment assessment on property, plant and equipment, and right-of-use assets, and (iv) impairment assessment on investment in subsidiaries and amounts due from subsidiaries.

In connection with the going concern matter identified by the external auditor, based on the projections and the cash and cash equivalents position of the Group, the ARMC and the Board believe that the Group will be able to continue as a going concern and will be able to pay its debts as and when they fall due for the next 12 months.

In respect of the other KAMs, the ARMC reviewed the appropriateness and reasonableness of the methodologies and key assumptions applied in determining the recoverable amounts of the cash-generating units and subsidiaries for the above impairment assessments. Additionally, the ARMC considered and evaluated the methodology and key assumptions applied in the Management's expected credit loss ("ECL") model to determine the ECL allowance to be recognised on the amounts due from subsidiaries. The ARMC concurred with the Management's impairment assessments on (i) goodwill, (ii) property, plant and equipment, and right-of-use assets, and (iii) investment in subsidiaries and amounts due from subsidiaries, and accordingly concurred with the overall impairments recognised for FY2020.



## CORPORATE GOVERNANCE REPORT

### ***Provision 10.3***

#### ***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.

### ***Provision 10.4***

#### ***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 internal auditors 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 independence and 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 a review during FY2020 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. The ARMC is of the view that the internal audit function is independent, effective and adequately resourced.

### ***Provision 10.5***

#### ***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

## **SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS**

**Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.**

### ***Provision 11.1***

#### ***Shareholders participation and voting 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.

Shareholders are encouraged to attend the general meetings and to ensure a high level of accountability and to stay apprised of the Group's strategy and goals. Notices of the meetings are advertised in the newspapers and announced on the SGXNet.

At the AGM, shareholders are given the opportunity to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters.

## CORPORATE GOVERNANCE REPORT

All resolutions at the forthcoming AGM would be put to vote by poll which 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 will be announced after the general meetings via SGXNet.

In FY2020, due to the COVID-19 pandemic, the Company has held AGM by electronic means as members of the Company were not allowed to attend AGM in person. The Company has despatched the annual report for FY2019 more than one month ahead of the AGM and invited shareholders to submit their questions ahead of the AGM. Questions raised by the shareholders were addressed ahead of the AGM and published on the Company's corporate website and on SGXNet. The minutes of the AGM were announced on the SGXNet. The Company is likely to conduct the forthcoming AGM in similar manner.

### ***Provision 11.2***

#### ***Separate resolutions at general meetings***

The Company has and will continue to have separate resolutions at general meetings on each distinct issue.

### ***Provision 11.3***

#### ***Attendance of directors and auditors 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.

### ***Provision 11.4***

#### ***Absentia voting***

The Company's constitution allows the appointment of proxies for a shareholder who is absent from a general meeting to exercise his vote in absence through his proxy or proxies.

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.

For shareholders who hold their shares through relevant intermediary, the Companies Act allows relevant intermediaries which include CPF agent bank 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.

### ***Provision 11.5***

#### ***Minutes of general meetings***

Minutes of general meetings will be taken and published in the SGXNET as well as the Company's corporate website at [www.asiamedic.com.sg](http://www.asiamedic.com.sg).

### ***Provision 11.6***

#### ***Dividend***

The details of dividend payment to shareholders will be disclosed via the release of the announcements through SGXNet. No dividend is declared or recommended due to the performance of the Group for FY2020. The Group's cash balance will be reserved for business operational purposes. 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.

# CORPORATE GOVERNANCE REPORT

## ENGAGEMENT WITH SHAREHOLDERS

**Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.**

### *Provision 12.1*

#### *Avenues for communication between the Board and 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 AGM is the principal forums for dialogue and interaction and exchange of views among the Directors, Management and shareholders. The Group also maintains a website at [asiamedic.com.sg](http://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.

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](http://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.

### *Provisions 12.2 and 12.3*

#### *Investor relations*

The Company strives to reach out to shareholders and investors via its online investor relations site within its corporate website at [www.asiamedic.com.sg](http://www.asiamedic.com.sg) where it updates shareholders and investors on the latest news and business developments of the Group.

## ENGAGEMENT WITH STAKEHOLDERS

**Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.**

### *Provisions 13.1 and 13.2*

#### *Engage with its material stakeholder groups*

The Group's material stakeholders are its shareholders, customers, employees, regulator and suppliers. The engagement with them is set out in its Sustainability Report for FY2019 published on 16 May 2020 on SGXNet.

The Company will publish its Sustainability Report for FY2020 in May 2021.

## CORPORATE GOVERNANCE REPORT

### Provision 13.3

#### Corporate website to communicate and engage with stakeholders.

The Group maintains a corporate website at [asiamedic.com.sg](http://asiamedic.com.sg) at which stakeholders can access information on the Group. The website provides, *inter alia*, corporate announcements, press releases and profiles of the Group. The Company has an online investor relations site within its corporate website as an outreach to shareholders and all other stakeholders.

### 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	Nature of relationship	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.	Associate of controlling shareholder	Nil	S\$117,000 (Provision of imaging services under the general mandate)

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

### USE OF PROCEEDS FROM RIGHTS ISSUE

The Company issued 729,034,145 new ordinary shares on 14 January 2020 in connection with its Rights Issue. The net proceeds have been utilised as follows:

Use of proceeds	Net proceeds S\$'000	Amount utilised to date S\$'000	Balance S\$'000
Reducing indebtedness of the Group <sup>(1)</sup>	5,000	5,000	—
For general corporate and working capital purposes including but not limited to operating costs, capital expenditure and making strategic investments and/or acquisitions if opportunities arise	3,523	—	3,523
Total	8,523	5,000	3,523

Note:

(1) Reducing indebtedness of the Group in relation to the Offsetting Arrangement (as defined in the Company's circular to shareholders dated 14 November 2019).

Under the Offsetting Arrangement, the Company and Luye Medical Group Pte Ltd (the "Undertaking Shareholder") have mutually agreed that the subscription monies due from the Undertaking Shareholder to the Company for the subscription by the Undertaking Shareholder of 381,725,584 rights shares and 34,941,082 excess rights shares will be offset entirely against the aggregate outstanding loan amount owing by the Company to the Undertaking Shareholder of S\$5 million.

## CORPORATE GOVERNANCE REPORT

### MATERIAL CONTRACTS

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

No non-sponsor fee was paid for FY2020.

### AUDIT FEES

The audit fee for FY2020 is \$98,000. There is no non-audit fee.