

RESPONSE TO SGX-ST QUERIES ON THE RE-DESIGNATION OF THE LEAD INDEPENDENT DIRECTOR

The Board of Directors (the “**Board**”) of AsiaMedic Limited (the “**Company**”) has received queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) following its announcement on 31 December 2019 (the “**Announcement**”) in relation to the re-designation of the lead independent director and is announcing its responses below:

The queries from the SGX-ST are set out in bold below.

- (1) **When Mr Goh Kian Chee was re-designated from ID to Lead ID on 5 Feb 2016, reason stated was to comply with CG Code Guideline 3.3 as the Chairman is not independent (the Non-executive Chairman then was Mr Tan Soo Kiat, who is now an non-executive director of the Company).**

Based on the latest CG Code 2018, Provision 3.3 requires the board to have a lead ID to provide leadership especially when the Chairman is not independent.” Practice Guidance 2 further elaborates that “The Lead ID plays an additional facilitative role within the Board ... facilitate communication between the Board and shareholders or other stakeholders.... The role of the Lead ID may include chairing Board meetings in the absence of the Chairman, working with the Chairman in leading the Board, and providing a channel to non-executive directors for confidential discussions.....”

- (a) The Company’s current chairman, Mr Charles Wang is not independent. In view of the above, pls detail why there is no need for a Lead ID now, and what has changed since 2016 (when Mr Goh was appointed Lead ID given that the Chairman then was not independent) to warrant such a change in decision?**

The Company’s Response

- (i) In February 2016, Mr Goh was appointed as the Lead ID concurrently with the appointment of Mr Tan Soo Kiat as the non-executive chairman of the Board. At that time, the Company’s chief executive officer position was vacant and Mr Tan Soo Kiat assisted the Board in supervising the operations of the Group in consultation with the Board. Given the more active involvement of the chairman in the operations of AsiaMedic then, the Company proceeded with the appointment of a Lead ID. Currently, although the chief executive officer position is vacant, Dr Wong Kae Thong (as the Acting COO) is responsible for overseeing the day-to-day operations of the Group. The current non-executive chairman, Mr Charles Wang, principally resides in Hong Kong and does not supervise the operations of the Group.
- (ii) In addition, the Board comprised four directors and one alternative director in February 2016. Two of the four directors are non-executive directors and the remainder two directors are independent directors. The alternative director was an alternative director to a non-executive director. Currently, the Board comprises five directors, of which two are non-executive and

three are independent. The Company currently has more independent directors than non-executive directors.

- (iii) Under the Code of Corporate Governance, the lead independent director has the following responsibilities:
- 1) provide leadership in situations where the Chairman is conflicted
 - 2) be available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

In respect of providing leadership in chairman conflicted situation, all three independent directors have the experience and expertise to identify and resolve conflicts.

In making the lead independent director available to shareholders, the Company currently has three independent directors who are all resident of Singapore. Hence, there is no difficulties for any shareholders to reach out to any of the independent directors of the Company.

In addition, the Company has held several shareholders' meeting since the appointment of Mr Goh as the Lead ID and noted that the shareholders directed questions to all independent directors and not only to the lead independent director.

- (iv) With the appointment of Mr Lawrence Lim as the third independent director with effect from 1 October 2019 and the reconstitution of the Nominating and Remuneration Committees on 31 December 2019, the NC has reviewed the Board composition and having considered the Group's current business scale and operations and that three out of its five board members are Independent Directors, it is of the view that there is no need for a Lead Independent Director. 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 Management. Nevertheless, the Board will review the need for the appointment of a Lead Independent Director periodically.

(b) Pls also explain, providing detailed considerations of the Board if the Company is in compliance with the CG Code 2018, Principle 3.

The Company's Response

CG Code 2018 Principle 3	Compliance
3.1 The Chairman and the Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.	The Chairman is not the CEO (or the COO). The Chairman is not involved in managing the operations of the Group. Currently, the Acting COO is responsible for managing the operations of the Group.

CG Code 2018 Principle 3	Compliance
3.2 The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.	The responsibilities of the Chairman and the CEO (or the COO) are separated.
3.3 The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate	Although the Chairman is not independent, the Chairman does not take on the role of the CEO (or COO) and is not involved in managing the operations of the Group. Hence, the Board is already independent of the management. Please also refer to response for (a) above.

(c) What did the Sponsor assess and consider in reviewing the Announcement.

The Sponsor's Response

The factors mentioned in responses (a) and (b) above were taken into consideration.

(2) Are there interested persons transactions? Or transactions which may place Mr Charles Wang (non-executive chairman) and / or Mr Tan Soo Kiat (non-executive director) in a position of conflict? To provide details.

The Company's Response

The Company adopted a shareholders' mandate in April 2017 for the provision of diagnostic imaging services to a clinic majority-owned by Luye Medical Group Pte Ltd. The value of such transactions amounted to S\$224,000 in FY2018 and S\$71,500 for the six months ended 30 June 2019. Neither Mr Charles Wang nor Mr Tan Soo Kiat is involved in determining the prices of the services provided.

The Company obtained interest-bearing loans totaling S\$5 million from Luye Medical Group Pte Ltd pursuant to a loan agreement in March 2018. The interest rate was determined based on the average per annum prime lending rates of (i) DBS Bank Ltd; (ii) Oversea-Chinese Banking Corporation Limited; and (iii) United Overseas Bank Limited as at the date of disbursement.

Saved as disclosed, there are not other interested person transaction which may place Mr Charles Wang or Mr Tan Soo Kiat in a position of conflict.

(3) All 5 board members comprises are non-executive directors. Based on the Company's annual report for financial year ended 31 Dec 2018, it is stated that Dr Wong Kae Thong was appointed as Acting COO wef 8 April 2019. Dr Wong

reports to the Board and takes on some responsibilities of a CEO while the Board continues its search for a new CEO.

(a) Pls provide update on the search for a new CEO.

The Company's Response

The Board has, since the departure of the CEO, undertaken several initiatives in the recruitment process to search for a new CEO.

Through search firms and referrals, the Board have shortlisted and interviewed four (4) potential candidates. So far, the Board has not been able to identify a candidate who meets both the Company's budget and criteria but the Board is still in the process of searching for potential candidates through the search firm and referrals.

As announced by the Company in March 2019, the Company has appointed Dr Wong Kae Thong as Acting COO with effect from 8 April 2019. The Board only delegated some of the responsibilities of a CEO to Dr Wong as Dr Wong is still practicing as a general practitioner in AsiaMedic's clinics.

The Board will make the necessary announcements when there are development on the CEO and COO appointments.

(b) Who does the Acting COO report to in the Board?

The Company's Response

The Acting COO currently reports to the whole board.

(c) Who oversees the executive day-to-day operations at the Board level?

The Company's Response

None of the board directors is overseeing the executive day-to-day operations of the Company. All the five directors are non-executive directors. However, the management tables all matters they deem important to the board for discussion and approval. In FY2019, matters tabled to the Board include remunerations of all key staff (not only the top 5 executive officers), annual bonuses and wage increment of all staff, marketing efforts to expand revenue sources (including tenders submitted by the Group), measures to reduce costs and improve effectiveness of the operations. The management also updates the board regularly on development through emails. In early 2019, the Board also convened meetings with senior management after the resignation of the CEO to address the concerns of the senior management.

(d) What is the NC's assessment on efficacy of the Board as a whole? Pls provide bases to support.

The Company's Response

The NC has annually examined the Board's competencies to satisfy that it is appropriate for effective decision making, taking into account the nature and scope of the Group's operations. It has in place a formal process for the evaluation of the performance of the Board as a whole, taking into consideration the attendance record at the meetings of the Board, participation in Board deliberations and Board

Committees and also the contribution of each Director to the effectiveness of the Board. 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. The last annual exercise was conducted in January to February 2019 and the NC was satisfied with the effectiveness of the Board in the conduct of its duties and responsibilities.

On an ongoing basis, the NC from time to time as and when appropriate reviews the Board's competencies to assess its continued effectiveness. The Board has been active in board renewal and had recently added a new board member. Board participation has been active with more than nine (9) formal board meetings in 2019 and many other meetings by board members on strategic issues regarding the Company's business direction. The Board has invited Mr Lawrence Lim who has extensive experience in the healthcare industry to join the Board on 1 October 2019. Mr Lim was previously CEO of Singapore General Hospital for about nine (9) years and General Manager of Raffles Hospital and Director in Raffles Medical Group for about 18 years.

Over the past year, the Board has strengthened its financial oversight on the business and initiated various cost control measures. The Board has also managed to convince the major shareholder to convert its S\$5m debt to equity for the current rights issue exercise and to raise further funds to improve the Group's financial position.

After the resignation of the Company's CEO, the Board has also appointed an acting COO to manage the operations of the business.

Accordingly, as of the date hereof, the NC is of the view that the efficacy of the Board is good.

(e) What is the Sponsor's assessment on efficacy of the Board as a whole? Pls provide bases to support.

The Sponsor's Response

Xandar Capital has attended all board meetings. We observed the following:

- The Board meets at least once every quarter. In FY2019, nine (9) formal board meetings were held.
- All Board members have good understanding of the business and financials of the Group.
- The Board comprises directors with different expertise and experience and collectively, possesses the necessary core competencies for effective functioning and informed decision-making.
- The Board has robust discussion of matters tabled for the consideration.
- The Board made efforts to comply with the listing rules as well as relevant requirements and regulations. In respect of CG Code 2018, other than the appointment of Lead ID, the Company only has two other non-compliances which is having an independent director who has served more than nine years and non-disclosure of remunerations of directors and executive officers. The

Company has provided its reasons for such non-compliances in its annual report.

Accordingly, we believe that AsiaMedic has an effective board to lead its management.

BY ORDER OF THE BOARD

Ms Foo Soon Soo
Company Secretary

7 January 2020

This announcement has been reviewed by the Company's sponsor, Xandar Capital Pte Ltd, in compliance with Rule 226 of the Rules of Catalist. It has not been examined or approved by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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