Issuer: AsiaMedic Limited

Security: AsiaMedic Limited

Meeting details:
Date: 23 April 2018
Time: 9.30 a.m.
Venue: 350 Orchard Road, #10-01 Shaw House, Singapore 238868

Company Description

AsiaMedic Limited, an investment holding company, provides healthcare, and healthcare consultancy and management services in Singapore. The company offers health risk assessments and screenings, and anti-aging and health risk management programs for optimized healthy aging and wellness. It also provides general and sub-specialty CT and MRI imaging, such as cardiovascular, neuro radiological, ENT, and musculoskeletal, as well as PET/CT imaging for diagnosis, staging, localization, and monitoring progress of cancer and cardiac diseases; and other imaging services, including mammography, ultrasound, and X-ray. In addition, the company offers travel clinic services; and medical aesthetic services, as well as sells aesthetic related products. AsiaMedic Limited was incorporated in 1974 and is based in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=505)

1. In the Chairman's Statement, the challenging conditions facing the private healthcare industry was acknowledged, prompting the group to develop a three-year plan in FY2017 to help it navigate better in the current operating environment. Details of the organisational restructuring included:

> *… first phase of restructuring with a new team being put in place… In view of this shift in trend, we have made it our organisational focus in FY2017 to review and restructure the Group's business through revamping our business profile, service culture, human resource practices, organisational framework and introduce new service lines… we started a new service culture that is aimed at improving service delivery standards within the Group for the purpose of attracting and retaining customers…*

(i) **Can the company tell shareholders who led the organisational restructuring?**

(ii) **In addition, would the company update shareholders on the new team that has been put in place and what are their roles and responsibilities going forward, following this reorganisation?**

(iii) **Has the restructuring been completed? What are the other phases and when will the entire restructuring exercise be completed?**

ASIAMEDIC LIMITED
2017 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

	2013	2014	2015	2016	2017
	S$	S$	S$	S$	S$
Revenue	14,683,307	18,794,823	20,199,418	20,573,255	19,015,381
Profit/(Loss) before taxation	(58,115)	467,384	(1,873,457)	(2,029,304)	(4,228,107)
Profit/(Loss) for the year	64,654	646,012	(1,734,384)	(1,628,206)	(4,226,687)
Net profit/(loss) after tax attributable to owners of the Company	53,946	669,911	(1,779,182)	(1,628,440)	(4,226,687)
Share capital and reserves	13,575,783	13,954,793	12,183,313	13,381,895	9,138,913

(Source: Company annual report)

As seen in the Financial Highlights (page 11), the company suffered losses of approximately $(1.7) million in 2015 and 2016. Losses increased significantly in 2017 to $(4.2) million as revenue dropped to $19.0 million. The net cash flow used in operating activities was $(1.1) million due to the weaker performance and additional expenses due to the proposed acquisitions.

(iv) **How is the board addressing the issue of the group's profitability? How will the restructuring help the group in terms of costs structure and operational efficiency?**

(v) **Given that the core business of the group is struggling, would it be prudent for the board to consider delaying the proposed acquisition to allow the core business to stabilise first before stressing the group with additional integration efforts?**

2. On pages 2 and 3, the group's business units are listed as AsiaMedic Wellness Assessment Centre, AsiaMedic Advanced Imaging Centre, AsiaMedic Positron Emission Tomography (PET) Centre, AsiaMedic Astique The Aesthetic Clinic and Complete Healthcare International (CHI).

The profile of each business units is described in detail and the profile of the senior management and clinician leaders of each business units can be found on pages 9 and 10.

In Note 36 (page 90 – Segment reporting), the company has disclosed the following:

36. Segment reporting

For management purposes, the Group regards the rendering of diagnostic imaging and radiology services, health screening and medical wellness services, specialised medical services, and medical aesthetic services as a single segment. Management has not identified any business or operating units separately for purpose of making decisions about resource allocation and performance assessment.

The Group's revenue is derived from operations located in Singapore.

(Source: Company annual report)

(i) Would the board/management confirm that the operational and economic characteristics of the segments (diagnostic imaging and radiology services, health screening and medical wellness services, specialised medical services and medical aesthetic services) are very different?

(ii) Would the audit committee consider each business unit as an operating segment as define in FRS 108 Operating Segments? If so, should the group report the segment results of each business unit as an operating segment to allow shareholders to better understand the performance of each business unit?

In Note 36, it was said that "[m]anagement has not identified any business or operating units separately for purpose of making decisions about resource allocation and performance assessment."

(iii) Can the board explain how it has made decisions on the group's resource allocation and how it had carried out performance assessment? What is the basis of the group's resource allocation?

3. In the company's Corporate Governance Report, under Guideline 12.6 - Independence of external auditors, the company has disclosed that 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 current audit fees were $120,000 while the non-audit fees amounted to $214,000.

The audit and risk management committee (ARMC) has disclosed the following:

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.

(i) Would the ARMC disclose the scope of the non-audit services provided by the external auditors?

(ii) Given that the non-audit fees are about double the audit fees paid to the auditors, how did the ARMC conclude that the nature and extent of such services would not prejudice the external auditors' independence and objectivity?

(iii) **Should the proposed acquisition be completed, would the external auditors remain as the company's auditor and would therefore be auditing the same target companies as part of the company's audit?**

(iv) **Does the ARMC consider this as a possible self-review threat? How would the ARMC mitigate this risk?**