

ASIAMEDIC LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 197401556E)

RESPONSES TO SECURITIES INDUSTRY ASSOCIATION (SINGAPORE) (“SIAS”) AND SHAREHOLDERS’ QUESTIONS

Questions from SIAS

Q1. As noted in the chairman’s statement, the group scaled up its onsite health screening business as a partner to Health Promotion Board, Singapore (“HPB”). Some of the HPB programmes include:

- Visual screening for students in preschools
- Age-appropriate school-based health screening for students in the primary and secondary schools
- Functional screening to identify age-related decline in vision, hearing and oral health of seniors in the community
- Health coaching, including chronic disease prevention and management, ergonomic lifting techniques and low-impact exercises for older workers in the community
- Human papilloma virus vaccination for secondary school students

As disclosed in Note 4 (page 62 – Revenue), revenue from Health screening and medical wellness services increased by 15% to \$9.35 million in FY2019. HPB is the group’s major customer, accounting for \$5.45 million out of the total revenue of \$18.99 million.

(i) **What is the typical length of the contracts with HPB for the provision of health and related services?**

Response:

The typical length is 2 to 3 years with an option to extend for another 1 to 3 years.

A “going concern assessment” was highlighted by the independent auditors in their Report on the audit of the financial statements. It was stated that the COVID-19 outbreak has impacted the revenue and cashflows of the group in 2020 and may continue to significantly disrupt the business activities of the group, the prolonged result of which may materially affect the group’s ability to generate sufficient cash flows from operations (page 35).

(ii) **Given that the government has implemented a circuit breaker since 7 April 2020, have all screening and related services in schools and the community been suspended? Can management provide shareholders with better clarity on the impact of the COVID-19 outbreak on the group’s operations and cash flow?**

Response:

The COVID-19 pandemic has a severe impact on businesses and the economy and we are not spared.

The effect on our Group’s operations is as follows:

- Onsite health screening – All screening and related services in schools and the community have been suspended during the circuit breaker period as indicated in our business update announcement dated 7 April 2020. Some of the services are resuming in June 2020 while some services have not resumed pending HPB’s assessment of the overall situation.
- Executive health screening and aesthetics – While the executive health screening and aesthetics business were exempted from suspension of activities initially, both businesses were not permitted to operate during the circuit breaker period. Only limited services are permitted to be provided in Phase 1 of the post-circuit breaker period. We intend to resume the provision of all services on 19 June 2020, as soon as Phase 2 of the post-circuit breaker period commences.

- Imaging and international clinic – Although the businesses were permitted to operate during the circuit breaker period, the number of patients decreased substantially. There has been no pick-up in volume in Phase 1 of the post-circuit breaker period so far.

Given the unpredictability of the potential impact of the pandemic, the full extent of the impact of COVID-19 on our Group cannot be determined at this stage. Nevertheless, the Company expects to report a loss for the six months ending 30 June 2020 and has made the profit warning announcement on 17 June 2020. Despite the loss, the Group expects to be able to fulfil its business obligations in the next 6 months. Please refer to question (iv) below.

- (iii) **Has the group leveraged its resources and medical expertise and contributed to the nation’s screening/education efforts in the fight against the COVID-19 pandemic?**

Response:

Yes, we are assisting the National Centre for Infectious Diseases (“NCID”) to draw blood samples of certain groups of people for COVID-19 research by NCID. We have also seconded our staff to HPB to support the government’s wider COVID-19 swab testing efforts.

- (iv) **With cash and cash equivalents of \$2.89 million as at 31 December 2019, does the group have sufficient resources to tide it over this challenging period?**

Response:

As mentioned above, the Group is operating at a substantially reduced capacity due to the circuit breaker and hence, the revenue (and therefore cashflow) from operations have been negatively affected. The Company has raised net proceeds of S\$3.5 million in the rights issue completed in January 2020. There are also government relief measures such as the Job Support Scheme and Rental Relief Framework. Based on the present business volume and barring unforeseen circumstances, the Group believes that it will be able to meet its obligations as and when they fall due for the next six months.

- (v) **Would management be providing shareholders with timely updates of material development in all of the group’s operations as part of the company’s continuous disclosure obligations?**

Response:

The Company will continue to monitor the evolving situation and will make the appropriate announcement(s) as and when there are material developments.

- Q2. As shown in the financial highlights (page 10), the group reported a net loss attributable to owners of the company of \$(588,233). In fact, the group has been loss-making for 5 years since FY2015 (table shown below).**

	2015	2016	2017	2018	2019
	S\$	S\$	S\$	S\$	S\$
Revenue	20,199,418	20,573,255	19,015,381	18,828,662	18,989,960
Loss before taxation	(1,873,457)	(2,029,304)	(4,228,107)	(4,043,913)	(588,233)
Loss for the year	(1,734,384)	(1,628,206)	(4,226,687)	(4,774,824)	(588,233)
Net loss after tax attributable to owners of the Company	(1,779,182)	(1,628,440)	(4,226,687)	(4,774,824)	(588,233)
Share capital and reserves	12,183,313	13,381,895	9,138,913	4,376,695	3,813,674*

(Source: company annual report)

Over the 5-year period, the total net loss attributable to owners of the company amounted to \$(13.0) million.

The group has different focus areas in the provision of medical services with the following business units:

- AsiaMedic Wellness Assessment Centre
- AsiaMedic Diagnostic Imaging Centre
- AsiaMedic Positron Emission Tomography/Computed Tomography (PET/CT) Centre
- AsiaMedic Astique The Aesthetic Clinic Pte Ltd
- Complete Healthcare International Pte Ltd

(i) Can the board elaborate further on its long-term strategic growth plans? How will the board be allocating the group's capital in the different areas?

Response:

The Group made good progress in FY2019 as a result of various business development, operational and cost optimization initiatives taken in that year with most business areas recording improved performance. The Company also completed its Rights Issue in January 2020 raising net cash proceeds of S\$3.5 million. However, the outbreak of COVID-19 since February 2020 has disrupted our plans and operations. Our immediate task is to navigate through this unprecedented pandemic crisis and to prepare ourselves operationally and financially to tap opportunities when the situation recovers. To this end, we are reviewing and reformulating our strategic plans. We are looking into every aspect of the businesses including the need for rationalising underperforming businesses if necessary. In the meantime, the Group will continue to monitor the situation and adapt accordingly such as implement cost control measures.

As disclosed in Note 37 (page 89 – Segment reporting), management considers the rendering of diagnostic imaging and radiology services, health screening and medical wellness services, general medical services and treatment, 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.

(ii) Would management like to clarify if it currently considers the various businesses, such as the aesthetic clinic, the vision screening for pre-school students, CT scanning services, as similar and does not carry out individual performance assessment nor makes resource allocation decisions for each business unit differently?

(iii) Would the audit and risk management committee (“ARMC”) help shareholders understand if the group's practices are in line with the Singapore Financial Reporting Standards (International) 8 (SFRS(I) 8 Operating Segments)? SFRS (I) 8 states that an operating segment is a component of an entity whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

(iv) Would management consider how it might be able to show the segment results of each business unit to help shareholders understand the financial performance of the different services offered by the group?

Response for (ii) to (iv):

Our services are health screening, diagnostic radiology imaging, medical aesthetics and general practice international clinic which are all healthcare in nature. In addition, we also operate a one-stop health screening and medical centre which gives our patients convenient access to imaging and radiology services at the same location. As a result, our health screening and international clinic businesses are closely interconnected with the imaging business. The operating results of each business unit are additionally reviewed and assessed in aggregate by the Group's chief operating decision maker, the Board of Directors and the COO, who will then allocate resources accordingly. Therefore we consider the Group as having only one segment. The Company will continuously review the segment information disclosure as the business of the Group evolves.

Q3. At the annual general meeting scheduled to be held on 19 June 2020, Mr Lawrence Lim will be retiring and would not be seeking his re-election. Mr Lawrence Lim was first appointed to the board on 1 October 2019. Accordingly, Mr Lawrence Lim would have served as an independent director for less than 9 months.

The profile of Mr Lawrence Lim can be found on page 5 of the annual report. Mr Lawrence Lim brings with him more than 35 years of experience in the healthcare industry.

In the Corporate Governance report, the nominating committee (“NC”) has stated that candidates are first sourced through a network of contacts, usually through recommendations from the directors and management. Where applicable, search through external search consultants can be considered.

- (i) Has the NC reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**

Response:

The NC conducts 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.

The Board currently comprises directors with experience in accounting, corporate finance, listed companies, governance and healthcare. Please refer to the “Board of Directors” section in the 2019 Annual Report for details of the directors’ background, qualifications and experience. Given the scale of operations of the Group, the current Board composition of 5 directors is a good size.

Mr Lawrence Lim is retiring to pursue personal interests.

- (ii) Would the NC be leveraging a professional search firm to enable the board to cast its net wider and further improve the diversity and possibly the quality of the candidate pool?**
- (iii) Would the company disclose its board diversity policy, and the progress made towards implementing the board diversity policy?**
- (iv) How does the board’s search and nominating processes and practices support the board diversity policy?**

Response to (ii), (iii) and (iv):

The Board supports a diversity policy for the Board to have a diversity of skills, experience and attributes which provide for effective direction for the Group.

In appointing new directors, the Board seeks to ensure that it replaces key competencies or broaden its core competencies as appropriate. With Mr Lawrence Lim’s departure, the Board will seek to source for a replacement director who has the experience in healthcare, as that is a key core competency for the Board.

In its search and nominating processes, the candidates are first sourced through a network of contacts and identified based on criteria established by the Board. Recommendations from the Directors and the Management are the usual source for potential candidates, as they understand the Company’s values, strategies and objectives and would be in a better position to refer candidates of the right fit to the Company. However, if the Company deems that it needs to widen the net for candidates, it will consider an external search consultant which should have a wider network for the right attributes and competency as established by the Board and wider reach than the Company’ existing contacts to value add to the search process.

Questions from Shareholder

How does the Directors and management intend to enhance shareholders value? What are your plans?

Response:

The Group's plans are disrupted by COVID-19. Our immediate task is to navigate through this unprecedented pandemic crisis. We are currently preparing ourselves operationally and financially for the resumption of provision of all services on 19 June 2020 as soon as Phase 2 of the post-circuit breaker period commences. On a mid-term basis, we are reviewing and reformulating our strategic plans. We will look into every aspect of the businesses including the need for rationalising underperforming businesses, implement cost control measures and continue to identify business opportunities.

BY ORDER OF THE BOARD

**Foo Soon Soo (Ms)
Company Secretary**

17 June 2020

This announcement has been reviewed by the Company's Sponsor, Xandar Capital Pte Ltd, in compliance with Rule 226 of the Rules of Catalyst. It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "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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