

HC SURGICAL SPECIALISTS LIMITED

Incorporated in the Republic of Singapore

Registration No. 201533429G

RESPONSE TO SGX-ST QUERIES OF 19 MAY 2020

The Board of Directors (the “**Board**”) of HC Surgical Specialists Limited (the “**Company**” and together with its subsidiaries, the “**HCSS Group**”) refers to its announcements made on 29 July 2019, 15 August 2019, 22 August 2019 and 17 April 2020 (the “**Announcements**”).

Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as that in the Announcements.

The Board would like to provide the Company’s response to queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**” or the “**Exchange**”) on 19 May 2020 in relation to the Announcements as follows.

Query 1 & 2

Please provide the rationale for the early redemption. Is this related to the court judgement of Dr Ong’s case and / or the ongoing SMC investigation?

Please disclose the party that had requested for the early redemption.

Company’s response

Vanda 1 Investments Pte. Ltd. (the “**Investor**”) had requested for the early redemption from the Company on amicable grounds and no specific reason was provided by the Investor. The Company had assessed its available cash flows at that point in time, including the availability of cheaper financing and agreed with the Investor for early redemption.

Query 3

Given the rationale provided by the Company in the announcement of 29 July 2019 when it entered into the Bond Agreement (ie, “The Company identified Heliconia as a placee through its strategic business networks. Heliconia, through the funds it manages, provides growth capital to Singapore’s leading enterprises to help them become globally competitive companies”), please disclose why the Company had agreed to the early redemption of the Bonds.

Company’s response

The Investor is a Singapore-incorporated company, managed and controlled by Heliconia Capital Management Pte. Ltd. (“**Heliconia**”). Heliconia is an investment company incorporated in Singapore and a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Heliconia provides growth capital to Singapore’s leading small and medium-sized enterprises to help them become globally competitive companies.

Given the strong strategic network, both locally and overseas, of the Investor and Heliconia, the Company wishes to maintain the cordial relationship with the Investor and Heliconia, should there be opportunities to cooperate again in the future. As mentioned in the announcement dated 17 April 2020, the redemption also allows the Company to reduce its financing cost.

Query 4

We note that the Company disclosed that one of the events that gives the investor the right to call for redemption of the bonds is “that any entity within the Group or any of its medical staff are deemed to be liable in any suit, proceeding or similar action that could result in a material adverse effect on the financial condition, earnings, reputation or assets of the Company”. Was this the trigger event leading to early redemption of the bonds?

Company’s response

As mentioned in the announcement dated 29 July 2019, in the event (a) that any entity within the Group or any of its medical staff are deemed to be liable in any suit, proceeding or similar action that could result in a material adverse effect on the financial condition, earnings, reputation or assets of the Company, or (b) of a delisting of the Shares from the SGX-ST, or where the Shares are suspended for a period of 45 trading days or more on the SGX-ST (“**Termination Events**”), the Investor will have the right to require the Company to redeem all of the Convertible Bond at a redemption amount equal to 116.5% of the principal amount of the Convertible Bond less the aggregate amount of interest previously paid on the Convertible Bond.

As mentioned in the announcement dated 17 April 2020, the redemption price is equal to the aggregate principal amount of the Convertible Bond, together with unpaid interest accrued (at a rate of 5.5% per annum) thereon up to the Early Redemption Date, instead of 116.5% of the principal amount of the Convertible Bond less the aggregate amount of interest previously paid on the Convertible Bond, which would have been imposed if one of the above Termination Events is triggered. As mentioned in the Company’s response to query 1 and 2 above, the early redemption was on amicable grounds.

Query 5

Please disclose how the funds raised from the Bonds were used and whether it was utilized for the investment in JOES.

Company’s response

The Company had utilised S\$2,846,712 of the net proceeds from the Convertible Bond to fund the acquisition of Julian Ong Endoscopy & Surgery Pte. Ltd., as disclosed in the Company’s announcement dated 3 September 2019. The Company has not utilised the remaining proceeds from the Convertible Bond.

Query 6

What is the impact of the early redemption on the Group (including its operations, finances, etc)?

Company’s response

As the net proceeds from the Convertible Bond was not fully utilised and was meant to be used to finance the Group’s business expansion, there is no significant impact on the Group from the early

redemption for the financial year ending 31 May 2020. As mentioned in the announcement dated 17 April 2020, notwithstanding the redemption of the Convertible Bond, the Directors are of the opinion that after taking into consideration the Group's present banking facilities, the working capital available to the Group is sufficient to meet its present requirements.

By Order of the Board

Dr. Heah Sieu Min
Executive Director and Chief Executive Officer
20 May 2020

About HC Surgical Specialists Limited

HC Surgical Specialists Limited (the "Company") was incorporated on 1 September 2015 in Singapore and listed on Catalist of the Singapore Exchange Securities Trading Limited on 3 November 2016. The Company, its subsidiaries and associated company are a medical services group primarily engaged in the provision of endoscopic procedures, including gastroscopies and colonoscopies, and general surgery services with a focus on colorectal procedures across a network of 18 clinics located throughout Singapore.

This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "Sponsor"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by 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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