

## HC SURGICAL SPECIALISTS LIMITED

Incorporated in the Republic of Singapore

Registration No. 201533429G

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### RESPONSE TO QUESTIONS FROM A SHAREHOLDER IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

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*Unless otherwise defined, all terms and references used herein shall bear the same meanings ascribed to them in the annual report issued to shareholders on 11 September 2023 (the "Annual Report").*

The Board of Directors (the "**Board**") of HC Surgical Specialists Limited (the "**Company**") and together with its subsidiaries, the "**Group**") refers to the questions raised by a shareholder relating to the Company's Annual Report for the financial year ended 31 May 2023 ("**FY2023**"). The Company has made some editorial amendments to the questions received from the shareholder to ensure that the questions are clear. For the avoidance of doubt, the editorial amendments do not change the meaning of the questions from the shareholder.

The Company wishes to provide its responses to the questions as follows: -

#### **Question 1:**

Please refer to Page 72 of the Annual Report on "Consolidated Statement of Comprehensive Income". What is the reason for the increase in other expenses by S\$693,000?

Company's responses:-

As set out on page 10 of the Annual Report in the section titled "Performance Review", other expenses increased by approximately S\$0.7 million due to (i) allowance for impairment loss on plant and equipment of S\$0.1 million; (ii) loss on modification of other financial liabilities of approximately S\$0.3 million in FY2023 arose due to modification of forward purchase contract of a subsidiary and deferred consideration of Jason Lim Endoscopy and Surgery Pte. Ltd. ("**JLES**"); and (iii) an increase in professional fees of S\$0.3 million incurred for the current financial year; which was partially offset by (i) lower goodwill impairment of S\$68,000, and (ii) reversal of allowance for impairment loss on plant and equipment and right-of-use assets made in prior year of an aggregate amount of approximately S\$19,000.

#### **Question 2:**

Please refer to Pages 71 and 72 of the Annual Report on "Statements of Financial Position" and "Consolidated Statement of Comprehensive Income". Noted that the bank borrowings and lease liabilities are fairly stable but the finance costs had increased by approximately 34%. Is this due to revised interest rates? Are the financial derivatives meant to hedge the interest rate moving forward?

Company's responses:-

As set out on page 10 of the Annual Report in the section titled "Performance Review", finance costs increased by approximately S\$0.2 million due to deemed interest expense on the deferred consideration payable for the acquisition of JLES and Total Orthopaedics Pte. Ltd.. The Group's derivative financial instruments relate to put options, options to re-purchase, option to purchase and forward purchase contracts. Hence they are not meant to hedge the interest rate.

### **Question 3:**

Please refer to Pages 71, 72, 123 and 134 of the Annual Report on "Statements of Financial Position", "Consolidated Statement of Comprehensive Income", "Derivative financial instruments" and "Profit before income tax". Noted that the derivative financial instruments (non-current liabilities) increased from S\$28,000 to S\$556,000 and there was a fair value loss of S\$50,000 recognised during the financial year. The professional fees had also doubled to S\$503,000 in FY2023 from S\$254,000 in the previous financial year. Are the fees paid for professional advisory services for the derivatives financial instruments? If not, what are the professional fees for? Why has it doubled?

Company's responses:-

The fair value loss related to derivative financial instruments recorded under both non-current assets and non-current liabilities of the Statements of Financial Position. As set out on page 10 of the Annual Report in the section titled "Performance Review", fair value loss on derivative financial instruments of approximately S\$50,000 arose mainly due to the re-measurement of fair value for (i) put option of a subsidiary; and (ii) forward purchase contract of an associate.

The professional fees mainly related to valuation services engaged for the derivative financial instruments, internal audit services, consultancy fees and audit fees for Data Protection Trustmark Certification ("**DPTM Certification**") which the Group is currently in the process of obtaining. The increase was mainly due to the professional fees incurred for the DPTM Certification, which was approximately S\$230,000 in FY2023. The DPTM Certification relates to a certification for organisations to demonstrate accountable data protection practices and will give our patients an added assurance that their personal data is being protected, and that our procedures and systems are in compliance with the Personal Data Protection Act.

### **Question 4:**

Suspension of Dr. Julian Ong ("**Dr. Ong**") – there is no income from this "investment"? Is there any claw-back on revenue loss in the contract with Dr. Ong? What will happen after the suspension? Will Dr. Ong continue with the Group?

Company's responses:-

Dr. Ong's company, Julian Ong Endoscopy & Surgery Pte. Ltd. ("**JOES**"), manages the Group's endoscopy centre in Ang Mo Kio ("**HCAMK**"). JOES will earn facility fees when other surgeons in the Group use HCAMK for procedures. As set out in the Company's announcement on 20 January 2023, Dr. Ong is suspended from his employment as a specialist surgeon during the suspension

period; his employment as a specialist surgeon shall be extended for a period of 11 years commencing immediately after the suspension period; and thereafter automatically renewed annually. Dr. Ong shall pay the Company a sum of S\$250,000 in cash as compensation for the damages the Company suffered as a result of the Singapore Medical Council complaint.

**Question 5:**

With the border opening around the region, is there any overseas expansion plan going forward?

Company's responses:-

The Company is always on the lookout for potential expansion opportunities to improve the long-term prospects for its stakeholders.

By Order of the Board

Dr. Heah Sieu Min  
Executive Director and Chief Executive Officer  
20 September 2023

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**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 15 clinics located throughout Singapore.

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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.

The contact person for the Sponsor is Mr. Pong Chen Yih, Chief Operating Officer, at 7 Temasek Boulevard, #18-03B Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.