HC SURGICAL SPECIALISTS LIMITED
Incorporated in the Republic of Singapore
Registration No. 201533429G

RESPONSE TO QUESTIONS FROM A SHAREHOLDER IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

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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 6 September 2021 (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 2021 ("**FY2021**"). The Company has made some editorial amendments to the questions received from the shareholder to ensure that the question is 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 134 of the Annual Report about "Revenue". How much of the Group's S$23.358 million revenue was generated by our specialists? And how much of the Group's S$23.358 million revenue was generated by our general practitioners?

Company's responses:-

Our specialists and general practitioners generated approximately 94.2% and 5.8% of the Group's revenue in FY2021 respectively.

Question 2:

Please refer to page 9 of the Annual Report about "FY2021 Year in Review". In FY2019 (pre-COVID), how many percent of the Group's S$18.3 million sales was generated from foreign patients?

Company's responses:-

We do not have statistics on the percentage of sales from foreign patients. However, the Group relied mainly on local population for its business.

Question 3:

Please refer to page 111 of the Annual Report about "Investments in Subsidiaries". It was stated that "From the date of acquisition, GMH has contributed S$385,000 and S$135,000 to the Group's revenue and loss for the financial year ended 31 May 2021 respectively." Why had GMH incurred loss of S$135,000 for FY2021? What went wrong?

Company's responses:-

GMH joined the Group in July 2020 post-circuit breaker and spent some time to setup its clinic at Mount Elizabeth Novena Specialists Centre. It usually takes a while for a doctor to build up its patient base. Hence, making losses in the first year of operations is within the Group's expectations.

Question 4:

Please refer to page 106 of the Annual Report about "Intangible assets". Can the Board and Management share the scenario when the forecasted revenue growth rate for GMH Endoscopy & Surgery Pte Ltd (GMH) can be as high as 212%?

Company's responses:-

GMH recorded a revenue of S$385,000 in FY2021, having only joined in July 2020 and having spent some time to set up its clinic. The forecasted range of revenue growth for GMH is based on management's assumptions, which took into consideration past historic trends of other specialist clinics within the Group, current performance, and future outlook. These assumptions are solely used for the preparation of the Group's financial statements as required under applicable accounting standards and are not indicative of the Group's future performance.

Question 5:

Please refer to page 129 of the Annual Report about "Other financial liabilities". The estimation of the present value of the exercise price for the forward purchase contracts for "JLES on 1 September 2022" has increased 5.6 times from S$1.571 million in FY2020 to S$8.748 million in FY2021. However, why the forecasted revenue growth rate of JLES merely changed from "8% to 10%" in FY2020 to "5% to 15%" in FY2021 on page 106 of the Annual Report?

Company's responses:-

The estimated present value of the exercise price for the forward purchase contract for JLES is based on the estimated profit for the financial year ending 31 May 2022 ("**FY2022**"), which has increased based on JLES audited accounts for FY2021. The estimated profit for FY2022 based on JLES audited accounts for FY2021 had increased from the estimated profit for FY2022 based on JLES audited accounts for FY2020.

The forecasted revenue growth rates for JLES are related to the discounted cash flow projections for a period of 5 years and projected to the terminal year. They do not correspond to the increase in the present value of the exercise price for the forward purchase contract which is only based on the estimated profit for FY2022.

Question 6:

Please refer to page 106 of the Annual Report about "Intangible assets". Can the Board and Management share why the top end of the range of the forecasted revenue growth rates for Julian Ong Endoscopy & Surgery Pte Ltd ("**JOES**") has increased from 15% in FY2020 to 81% in FY2021 (instead of a proportionate increase of 9% to 24%)?

Company's responses:-

The forecasted revenue growth rates for JOES are related to the discounted cash flow projections for a period of 5 years and projected to the terminal year. The forecasted revenue growth rates are based on management's assumptions at the respective financial year end, which took into consideration past historic trends, current performance and future outlook.

Question 7:

Please refer to page 70 of the Annual Report about "Consolidated Statement of Comprehensive Income". While revenue has increased by 39.7% year-on-year, how did "Other expenses" manage to decrease by 25.1% from S$3.051 million in FY2020 to S$2.284 million in FY2021? Is this a sustainable decrease?

Company's responses:-

As mentioned on page 10 of the Annual Report "Performance Review", the decrease in other expenses of S$0.8 million was mainly due to no allowance for impairment loss recorded in FY2021 for (i) goodwill (FY2020: S$0.7 million); (ii) right-of-use assets (FY2020: S$0.1 million); and (iii) plant and equipment (FY2020: S$41,000). This was partially offset by allowance for impairment loss for debt instruments at amortised cost of S$0.1 million (FY2020: S$Nil). The Group is required, under the applicable accounting standard, to reassess the need for the above impairment at the end of each reporting period.

Question 8:

Please refer to page 119 of the Annual Report about "Financial assets at fair value through profit or loss (FVTPL)". What is this unquoted equity security (Investment I)? Why did its average growth rate decline by 8.9% from 22.7% in FY2020 to 13.8% in FY2021 on page 149 of the Annual Report?

Company's responses:-

Investment I relates to HSN Healthcare Pte. Ltd. ("**HSN**"). The average growth rate was based on management's assumptions at the respective financial year end, which took into consideration past historic trends, current performance and future outlook. The decline in the projected growth rate is based on HSN audited accounts for FY2021, which had deteriorated from FY2020, due mainly to the COVID-19 situation.

Question 9:

Please refer to page 121 of the Annual Report about "Trade and other receivables". While the Group's revenue has increased by 39.7% from S$16.723 million in FY2020 to S$23.358 million in FY2021, why did trade receivables from third parties increase by 127% from S$698,000 in FY2020 to S$1.581 million in FY2021? How much has been collected back so far? May I ask the Audit Committee if the Group is experiencing collectability issues from certain customers?

Company's responses:-

Trade receivables disclosed relate to the value at a specific point in time, being 31 May 2020 and 31 May 2021. The circuit breaker measures were imposed in Singapore from 7 April 2020 to 1 June 2020. The Group's revenue was affected as the Ministry of Health also imposed restrictions on the medical services that the Group can perform. This led to lower trade receivables as at 31 May 2020. Conversely, with the increase in the Group's revenue in FY2021, trade receivables as at 31 May 2021 was much higher than as at 31 May 2020. The Group had performed an assessment on the loss allowance for trade receivables and provided for a loss allowance of approximately S$1,000 in FY2021 as disclosed on page 122 of the Annual Report.

By Order of the Board

Dr. Heah Sieu Min
Executive Director and Chief Executive Officer
27 September 2021

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.

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.