HC SURGICAL SPECIALISTS LIMITED
(the "**Company**")
(Company Registration No.: 201533429G)
(Incorporated in the Republic of Singapore)

APPENDIX A

SUBSTANTIVE QUESTIONS RAISED AND ANSWERED AT THE COMPANY'S ANNUAL GENERAL MEETING HELD ON 26 SEPTEMBER 2023 (the "AGM")

The following questions were raised by Members and answered by the CEO of the Company at the AGM.

Q1 What are the long-term strategies of the Company for growth? Is the Company's growth mainly driven by acquisition and onboarding of more doctors and their customers, or driven from organic growth via existing customers and their referrals, or from other channels like partnership with AIA? What is the long-term plan for the Company's main growth driver?

A1 The long-term strategies of the Company for growth are mainly, but not limited to, the acquisition of other practices, organic growth, and partnership with insurance companies as mentioned.

Having its own endoscopy centres has given the Company a competitive edge over its competitors in terms of pricing, and extension of services it can offer to its customers. This competitive edge also enables the Company to attract more patients, particularly those introduced via the partnership with AIA as well as other insurance companies where the Company is on the panel. Patients are also more inclined to use the Company's services due to convenience and when the fees are paid by their insurance companies. The contract with AIA is mainly to provide screening services to AIA customers with insurance packages at a fixed promotional price. This segment of business has contributed significantly to the Company's revenue performance.

In addition to the strategies mentioned above, the Company did have an opportunity to venture overseas before the Covid-19 pandemic. The deal for a partnership with an overseas company was nearing completion, however, the Covid-19 pandemic disrupted the expansion plan and the plan was aborted eventually. In the present post-pandemic era, the focus of the Company will be on expanding and consolidating its businesses in Singapore.

Except for surgical fees, where the Company is unable to make any changes as these fees are typically fixed and regulated by the Ministry of Health ("**MOH**"), the Company has increased its service fees due to the pressure resulting from inflation and rising costs relating to equipment, rentals, and other expenses.

Given that the Company's customers are mainly locals instead of foreigners, the Company was able to tide through the Covid-19 period well by delivering a good set of financial result and business performance.

Q2	On the market competition and pricing front, is competition getting more intense nowadays compared to a few years ago? Does the Company have a competitive edge over its competitors in this competitive landscape? Who holds the pricing power for the main services? Will the current and future intense competition likely impact the gross or net profit margin of the Company significantly in the mid to long-term?

A2 The Company's competitive edge lies with its heartland centres. During the Covid-19 pandemic, there were significant restrictions, particularly in the hospitals, which created a lot of inconvenience for doctors to perform surgeries. On the contrary, the Company's heartland centres were able to facilitate more flexible and efficient management of the surgical facilities, processes, and allocation of doctors. As a result of that, the Company was able to achieve very good profit performance during the Covid-19 period from June 2020 to May 2021.

With our own endoscopy centres and to a certain extent, the Company is able to gain some pricing advantage in determining its service fees. Service fees typically consist of surgical and facility fees. While surgical fees are strictly regulated by the MOH, facility fees are fees charged to patients for the use of equipment and facilities. By having our own endoscopy centres, the Company is able to capture the entire service fee under its own account, as opposed to operating in hospitals where the facility fees would be earned by the hospitals. This approach has also helped the Company in controlling costs associated with facilities, hence, providing a pricing advantage over its competitors.

The Company operates a total of 11 endoscopy centres in Singapore. The number of endoscopy centres allows the Company to make strategic arrangement and separate specialists based on location rather than clinics. This strategy increases the effectiveness of specialists and minimizes internal competition between specialists in the same area. This operating model also helps reduce manpower costs, as the centres require only a minimal number of employees to handle phone calls and assist patients with scheduling appointments with the doctors.

Q3	With regard to long-term dividend payout planning, does the Company have a long-term dividend payout ratio policy in place?

A3 According to the Company's IPO prospectus, the Company does not have a fixed dividend policy. However, the Company has committed to declare not less than 70% of its profit after tax as dividend for the first three years post IPO. i.e. FY2017, FY2018 and FY2019 to reward its shareholders.

For the first three years after the IPO, the Company had distributed 70% or more of its operating profits after tax as dividends and thereafter, the Company had maintained around the 70% mark or slightly lower dividends, due to cash flow needs and expansion plans. Overall dividend yield is approximately more than 5%.

Since Covid-19, many foreign nurses had left Singapore for America, Middle East, and European countries for a better work-life balance and higher pay.

Due to significant workforce pressure in both private and public services, costs relating to salaries have also risen significantly in the recent years. This is not limited to nurses, but is also applicable to medical related executive staff.

To manage costs, as founders of the Company, both Dr. Chia and I have decided not to have any salary increment for this year. Instead, the focus will be on increasing profits to have a higher investment return in the form of better dividends.

Q4 What is the acquisition criteria for the Company? What is the consideration for the Company to maintain the same or different specialty?

A4 The Company has maintained the same specialty so far, but has always thought of getting different specialties into the Group, on the consideration that they can make use of the Group’s centres so as to improve the utilisation rates of our centres. A suitable specialty is orthopaedics, which the Company has acquired a 35% stake in March 2023. There will be 2 orthopaedic centres being set up in Tampines and Novena Medical Centre. The orthopaedic surgeon can also use the Company’s centres for consultations and simple procedures; and all doctors can cross-refer patients to one another.

Q5 As founders, we hope both of you could stay with the Group for as long as possible. Do you have a succession plan in mind? Are you considering retiring at certain age or after a number of years of service?

A5 Generally, the retirement age for surgeons in Singapore is 75 years old, assuming both me and Dr. Chia Kok Hoong (“**Dr. Chia**”) maintain good health. Since the Company is relatively young, management will identify suitable candidates with the appropriate competency in due course to assume the stewardship role of the Company once both Dr. Chia and I decide to retire in the future.

Q6 How does the Company determine the salary for each specialist to ensure it remains both competitive and reasonable for retention purpose? What is the impact and co-relation between doctors’ remuneration and the Company’s profits? Is there any potential overlapping between the consideration paid for acquiring the specialist’s practise and the remuneration paid subsequent to their acquisition?

A6 The Company has a remuneration framework to reward doctors appropriately. Doctors’ remunerations are divided into base salary and profit-share and correspond to the two tranches of acquisition of the doctors’ companies. The first tranche is when the Company acquires, say, a 51% stake in the doctor’s company. The doctor’s interest will be aligned to the Company, since he still owns 49% of his company, and his company’s profitability will affect the consideration in the second tranche of acquisition, when the Company acquires the remaining stake in the doctor’s company. Thereafter, the doctor’s remuneration consists of a profit-sharing scheme that continues to motivate him to perform. This profit-sharing approach aims to align the interest of the doctors with that of the Company. This approach also provided greater opportunities for them to get involved in the Company’s business operation.

Q7 Is the existing partnership agreement with AIA restricting the Company from entering into similar contracts with other insurance companies?

A7 The Company is not allowed to enter into colonoscopy screening contracts with other insurers. However, there is no restriction for the Company to be on the panel of other insurance companies. Although the special price offered to AIA clients for screening services is generally below market, it improves the Company's visibility and image and some screening cases even leads to spin-offs for other medical procedures.

Q8 The Company was growing well until 2021 and then started to decline. Was the decline due to Covid-19?

A8 As a matter of fact, the Company did achieve good profits during the Covid-19 pandemic between 2020 and 2021. The borders lockdowns had restricted local patients from travelling abroad for holidays and the number of patients with AIA vouchers also increased significantly. Covid-19 also reinforced the importance of taking care of one's health. On top of these, the Company also received funds from the government under the jobs support scheme and relief from rental up to 4 months during the pandemic period. Although the Company's revenue dropped after the financial year ended 31 May 2021, its revenue was still higher than the pre-pandemic period. The Company's profitability was also affected by non-operational items such as goodwill impairment and paper losses related to its investments.

Q9 How has the suspension of services of Dr. Julian Ong for 2 years impacted the Company's performance?

A9 Currently, Dr. Julian Ong is working as a marketing executive and is involved in the human resources department of the Company, at a reduced salary. The Company has extended his contract without any increase in his remuneration package. The goodwill relating to Dr. Julian Ong's company had been fully impaired, and there will unlikely be any further impact to the Company's future performance.

Q10 On Dr. Julian Ong's legal suits, where it involved significant defamation costs and legal fees, can we know if the compensation received was able to sufficiently cover the actual legal costs incurred by the Company?

A10 Dr. Julian Ong's legal fees were borne by him. The Company also did not cover or compensate Dr. Heah for the legal suit involving him indirectly. As for the legal fees incurred by the Company in the proceedings against the Company, it was partially covered by the claims awarded by the Court and a separate $250,000 compensation from Dr. Julian Ong.