

**Issuer:** HC Surgical Specialists Limited

**Security:** HC Surgical Specialists Limited

**Meeting details:**

Date: 26 September 2017

Time: 2.00 p.m.

Venue: 131 Rifle Range Road, Level 3 Brani Room, Temasek Club, Singapore 588406

**Company Description**

HC Surgical Specialists Limited, a medical services company, provides endoscopic procedures through a network of clinics in Singapore. It offers endoscopic procedures, including gastroscopies, colonoscopies, and general surgery services with a focus on colorectal procedures. The company's clinics also provides treatments for haemorrhoids, anal abscesses, anal fissures, gallstones and inflammation of the gallbladder, hernias, colorectal cancer, stomach cancer, colonic diverticular disease, and cysts and lipomas. HC Surgical Specialists Limited was incorporated in 2015 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=1B1](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=1B1))

**Q1.** As noted in the CEO Statement (pages 4 & 5 of the annual report), the group achieved many firsts in the months leading up to its listing on the Singapore Exchange on 3 November and throughout FY2017. The achievements include:

- (a) July 2016: Commenced operations of the group's general practitioner clinic, Malcolm Lim Pte. Ltd., in the Orchard Road area
- (b) August 2016: Acquisition of LAI BEC Pte. Ltd. and CTK Tan Surgery Pte. Ltd.
- (c) November 2016: Listing on the Singapore Exchange with a network of 10 medical clinics
- (d) December 2016: Three new specialist clinics in the heartlands, namely at Hillford condominium, Ghim Moh Gardens and D'Leedon condominium
- (e) January 2017: Established a joint venture company HSN Healthcare Pte. Ltd. (40.0% interest) to develop and grow the range of medical services provided by the group
- (f) February 2017: Acquired a 51.0% stake in Julian Ong Endoscopy & Surgery Pte. Ltd. (JOES)
- (g) June 2017: Acquired a 51.0% stake in Medical L & C Services Pte. Ltd. which is in "the business of providing both acute and chronic home care and palliative care to both private and government subsidised patients"
- (h) June 2017: Acquired a 49.0% stake in Medinex Pte. Ltd., a management and service provider for the medical clinics industry
- (i) July 2017: Through HSN Healthcare Pte. Ltd. the group formed a joint venture company, Nex Healthcare Pte. Ltd. to operate a pharmaceutical business and provide medical managed services

Prior to the IPO, the group ran 7 clinics before July 2016 and debuted as a listed company on the SGX with 10 medical clinics in November 2016. The group rapidly doubled its network to 14 clinics by February 2017 with the acquisition of JOES.

- a) **How does the group monitor, maintain and raise its medical standards as the group expands at such a rapid pace? What are the safeguards put in place to ensure that the quality of medical care is not comprised and that the patient experience continues to be positive?**
- b) **Given that the group has acquired new practices and has doubled the number of clinics from about a year ago, how does the group ensure that management and staff, new and old, continue to align to the group's purpose and values?**

As disclosed in the Independent Auditor's Report, the recognition and subsequent measurement of goodwill arising from the acquisitions of subsidiaries is one of the Key Audit Matters in which was of most significance in the audit of the financial statements of the current period. Of a total purchase consideration of \$3,354,000, the resulting goodwill of these acquisitions amounted to \$3,388,000 (page 49).

- c) **How does the board ensure that acquisitions made are prudent and would enhance shareholders' value in the long term?**

**Q2.** As noted in the media recently, the Singapore Medical Association (SMA) iterated that ethical guidelines for the medical profession prohibit profit guarantees involving healthcare services as the financial imperative they impose is incompatible with the guidelines. Specifically, *to avoid situations where a doctor's professional judgment is, or is seen to be, influenced by financial considerations*, Section H3.1(c) of the 2016 Singapore Medical Council's "Handbook on Medical Ethics" states that a doctor ought to be careful to:

*"Not to allow any financial arrangement that commits you to give a revenue or profit guarantee to a third party to influence how you manage patients. You should avoid such arrangements as a matter of good practice as the pressures on you to meet your financial obligations would be great".*

- a) **Given that the said SMA resolution was published in 1998, how would it affect the group with regard to the recent acquisitions where the company had received profit guarantees from the vendors?**

- b) **Going forward, how would it change the way the group expands its network?**
- c) **Can management elaborate on the pace of the group’s expansion? What are the growth targets set for management to achieve in the coming financial years?**

**Q3.** As noted in the Director’s Profile, Mr. Lim Chye Lai, Gjan was appointed as a Non-Independent Non-executive Director on 28 September 2016 (page 13). Mr. Lim is a member of the Audit Committee, Remuneration Committee and Nominating Committee.

The nominating committee has considered Mr, Lim to be “non-independent for the purposes of Rule 704(7) of the Catalist Rules” (page 27).

In the explanation notes to the Notice of Annual General Meeting (page 125), the company has also disclosed that “there are no relationships (including immediate family relationships) between Mr. Lim and the other Directors, the Company and its 10% shareholders.”

Rule 704(7) of the Catalist Rules requires that:

*“The issuer must also provide such additional disclosure as may be appropriate in the circumstances to enable its shareholders to assess the independence or otherwise of the appointed director”.*

**Can the company disclose the reason(s) why Mr. Lim Chye Lai, Gjan has been considered non-independent by the nominating committee?**