HC SURGICAL SPECIALISTS LIMITED

HEALTHCARE
AT YOUR DOORSTEP
ANNUAL REPORT **2017**

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*HC Surgical Specialists Limited (the "**Company**") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 3 November 2016. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd.*

*This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.*

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Ms. Jennifer Tan, Senior Manager, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

Dedicated to bring healthcare to your doorstep

CORPORATE PROFILE

HC Surgical Specialists Limited ("**HCSS**", and together with its subsidiaries, the "**Group**") is a medical services group primarily engaged in the provision of Endoscopic Procedures, such as Gastroscopies and Colonoscopies, and General Surgery Services with a focus in providing Colorectal Procedures across a network of clinics located throughout Singapore.

Starting out almost a decade ago, HCSS' vision is to build an organization dedicated to making private healthcare accessible to the broadest consumer base possible. Supported by a team of highly qualified specialists and general practitioners, the Group has a network of clinics located around central Singapore in private hospitals and residential areas, such as the heartlands, and are easily accessible via public transport.

Evening clinics are also set up for the convenience of patients, where appointments can be scheduled after office hours.

Other common conditions treated by the Group include Haemorrhoids, Anal Fissure, Anal Abscess, Anal Fistula, Lipomas and Cysts, Hernia, Cholecystitis, Colorectal Cancer and Gastric Cancer. Most clinics are fully outfitted to provide a comprehensive suite of diagnostic and therapeutic procedures for the treatment of the conditions.

For added convenience, our clinics are mostly Medisave accredited, where patients can submit their Medisave or Integrated Shield Plan claims through our clinics.

The specialist surgeons of the Group have extensive experience in general surgery and are fully capable of performing a range of surgical or medical procedures whether or not ancillary to endoscopic or related colorectal procedures, including, among others, vascular surgery, renal transplants and treatments for thyroid conditions.

CHAIRMAN MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Directors and Management of HC Surgical Specialists Limited ("**HCSS**"), it is my pleasure to present to you the inaugural Annual Report for HCSS for the financial year ended 31 May 2017 ("**FY2017**").

Firstly, I would like to extend a warm welcome to our new shareholders. FY2017 was an eventful year for HCSS. Besides expanding our network of clinics and our medical team, we have also strengthened our management team in preparation for the eventual listing on the Catalist of the Singapore Exchange Securities Trading Limited on 3 November 2016. HCSS was well-received by the market and its share price opened strongly on debut trading.

As a growing medical services group dedicated to bringing healthcare to your doorstep, the Initial Public Offering ("**IPO**") provides the Group with access to the capital market to raise funds in order to execute our business strategies and expansion plans. Following the IPO, the Group opened three new specialist clinics in the heartlands, namely at Hillford condominium, Ghim Moh Gardens and D'Leedon condominium. We also acquired another specialist clinic, Julian Ong Endoscopy & Surgery Pte. Ltd., bringing our network of medical clinics to 14 across the island.

The Group also expanded into medical-related services with the acquisition of Medical L & C Services Pte. Ltd.. It provides home care and palliative care to both private and government subsidised patients. We also invested in Medinex Pte. Ltd., a management and service provider for the medical clinics industry.

The Group achieved revenue of S$9.5 million in FY2017, mainly due to contributions from the new subsidiaries. With the increase in number of subsidiaries, operating expenses for the year were also higher at S$7.9 million. After the inclusion of the non-recurring expenses incurred for the IPO of S$1.3 million during the financial year, the Group recorded net profit attributable to shareholders of S$1.3 million.

STRENGTHENING FOR THE FUTURE

As the Group grows, we are mindful of the business and operational risks that the Group may face. We will continue to work towards reducing those risks, such as the expansion of our scope of services into other fields, bringing more doctors on board and expanding further into medical-related services. We shall continue to look out for strategic partnerships, both in Singapore and overseas, that can enable us to reduce those risks, while keeping to our commitment to bring healthcare to your doorstep.

Our patients are important to us. Therefore, going forward, we intend to continue to strengthen our operational structure, by putting in place improved operating policies, such as that relating to procurement and human resources, to build a strong supporting network to support the growth of our business. This will also allow the Group to attract and retain the right staff, which in turn will enable us to continue to provide quality healthcare services and positive patient experience. On top of that, in July 2017, Dr. Chia Kok Hoong was appointed as the Medical Director of the Group. As such, in addition to his role as Executive Director, Dr. Chia will oversee the Group's medical practices, standards and governance, which, coupled with his vast experience in the medical field, will help raise the Group's medical standards.

ACKNOWLEDGEMENTS

Lastly, I would like to express my sincere gratitude to my fellow Directors for their valuable contribution. On behalf of the Board of Directors, I would like to express my appreciation to our management and staff for their contributions to the Group. We would also like to take this opportunity to thank our shareholders, patients, and business partners for their continuous support to HCSS.

CHONG WENG HOE

Non-executive Chairman and Independent Director

CEO STATEMENT

DEAR SHAREHOLDERS,

FY2017 marked a significant milestone in our corporate history – we were listed on the Singapore Exchange on 3 November 2016.

When HCSS first started out, our aim was to reach out to as many people as possible and to help as many as we can, especially in the heartlands. The listing on the Singapore Exchange provided us with this platform and greater access to the capital markets, which will allow us to expand and strengthen our commitment to bring healthcare to your doorstep.

GROWING OUR NETWORK OF CLINICS AND RANGE OF HEALTHCARE SERVICES

I am pleased to share with you that the Group made good progress in enhancing our range of healthcare services during FY2017. In July 2016, our subsidiary, Malcolm Lim Pte. Ltd. commenced operations of our first general practitioner ("**GP**") clinic in the Orchard Road area, managed by Dr. Malcolm Lim and Dr. Tan See Lin.

In August 2016, HCSS acquired CTK Tan Surgery Pte. Ltd. and engaged Dr. Charles Tan as a specialist surgeon thereby adding two more medical clinics to our network. Dr. Tan has over 20 years of clinical experience, and he pioneered the robotic axillary thyroid surgery programme at the National University Hospital during his time there.

As the Group continued to expand, we not only opened new clinics in the heartlands, but also sought to bring on board highly qualified specialists who are trained in the latest advancements in surgery. The Group acquired a 51.0% stake in LAI BEC Pte. Ltd., and brought Dr. Lai Jiunn Herng on board our medical team. Dr. Lai, who commenced his employment with HCSS in November 2016, has over 19 years of working experience and his area of interest is in minimally invasive colorectal surgery which includes advanced laparoscopic procedures, robotic surgery and Endoscopic Mucosal Resection of large colorectal polyps.

Prior to listing, the Group had 10 medical clinics located across Singapore. Following the listing, we continued our expansion, opening three new specialist clinics in the heartlands, namely at Hillford condominium, Ghim Moh Gardens and D'Leedon condominium. As with our other specialist clinics, the new clinics have received medisave accreditation for the convenience of patients wishing to use medisave or to claim from medishield and other insurance plans. They are equipped to perform a variety of procedures on site, including endoscopic and other minor surgical procedures.

Continuing on the growth path, the Group acquired a 51.0% stake in Julian Ong Endoscopy & Surgery Pte. Ltd. in February 2017, and further strengthened our capabilities with the addition of a new endoscopy clinic as well as welcoming Dr. Julian Ong to our team of specialist surgeons. Dr. Ong has over 16 years of working experience and has an interest in minimally invasive surgery, particularly in laparoscopic surgery for colorectal cancer.

EXTENDING OUR REACH TO MORE PEOPLE

In addition to acquiring new medical clinics, the Group continued to expand its medical-related services. In line with our commitment to "bring healthcare to your doorstep", the Group acquired a 51.0% stake in Medical L & C Services Pte. Ltd. ("**Medical L & C**") in June 2017. Medical L & C is in the business of providing both acute and chronic home care and palliative care to both private and government subsidised patients. Home care provision is particularly helpful to the less mobile elderly patients. Venturing into this field supports our endoscopy centres in the heartlands and allows HCSS to further extend our reach to more patients. Medical L & C will continue to be managed by Dr. Lai Junxu, who joined our Group in June 2017.

Concurrently in June 2017, the Group invested in Medinex Pte. Ltd. ("**Medinex**"), a management and service provider for the medical clinics industry, with the acquisition of a 49.0% stake. Medinex mainly supports specialist doctors with its range of services. These include, amongst others, (1) setting up medical clinics and applying for the necessary licences, (2) setting up medical clinic systems such

as Clinic Assist, (3) training nurses and administrative staff to familiarise with the medical clinic systems and filing standards, in order to smoothly integrate with back-end financial system and operations, and (4) providing a full suite of back-end accounting, tax, secretarial services and advisory for both medical and non-medical corporate clients. Medinex is helmed by Ms. Jessie Low, a certified chartered accountant.

More recently in July 2017, HSN Healthcare Pte. Ltd., where the Group has 40.0% equity interest, formed a joint venture company, Nex Healthcare Pte. Ltd. ("**Nex Healthcare**"), to operate a pharmaceutical business and provide medical managed services. Nex Healthcare mainly provides support to the primary healthcare doctors. Its services include the procurement of medical and pharmaceutical products, the provision of marketing, human resource functions, book keeping and other administrative services necessary to facilitate the provision of primary healthcare.

Going forward, the Group will continue to look out for strategic business development opportunities, including acquiring specialists in other fields and broadening our network of clinics. We will continue to work towards consolidating our position in fulfilling our mission to "bring healthcare to your doorstep". At the same time, HCSS will look for suitable partners for regional expansion.

ACKNOWLEDGEMENTS

I take this opportunity to thank our Board of Directors for their steadfast support, and to our management and staff for their hard work and dedication towards HCSS. No company can be successful without loyal, trained staff committed and dedicated to fulfilling the company's mission. HCSS extends heartfelt gratitude to our hardworking staff whose exceptional performance often exceed their call of duty. I would also extend my sincere appreciation to our patients, business partners and shareholders, for their support in bringing HCSS to where it is today.

Thank you and I look forward to working together with everyone on this exciting journey to strengthen the Group's businesses and enhance shareholders' value.

DR. HEAH SIEU MIN
Executive Director and Chief Executive Officer

PERFORMANCE REVIEW

FY2017 was a significant milestone in HC Surgical Specialists' ("**HCSS**") corporate development. In July 2016, the Group's first GP clinic, Malcolm Lim Pte. Ltd., commenced operations in the Orchard Road area. Following that, the Group acquired LAI BEC Pte. Ltd. and CTK Tan Surgery Pte. Ltd. in July and August 2016 respectively, increasing the number of clinics under its network to 10. With these acquisitions, the Group also added two very experienced specialist surgeons to its medical team.

After its Initial Public Offering ("**IPO**") in November 2016, the Group continued to expand its operations organically as well as through mergers and acquisitions. It opened three new specialist clinics in the heartlands, namely at Hillford condominium, Ghim Moh Gardens and D'Leedon condominium. In January 2017, HCSS invested 40.0% equity interest in HSN Healthcare Pte. Ltd., which was established to expand the Group's presence across heartland areas by operating and expanding additional medical clinics, and to develop and grow the range of medical services provided by the Group. Subsequently in February 2017, the Group acquired a 51.0% stake in Julian Ong Endoscopy & Surgery Pte. Ltd. for approximately S$2.2 million, and employed Dr. Julian Ong as its specialist doctor.

With contribution from these new clinics, the Group's revenue in FY2017 increased by 19.8% year-on-year to approximately S$9.5 million. Other income, which comprise mainly fixed deposits interest, government grants, management fee income and rental income, increased by 195.8% to S$210,000 in FY2017, mainly due to government grants and the placements of fixed deposits.

Fair value gain on derivative financial instruments of S$45,000 arose from the re-measurement of the fair value of the derivative component of the redeemable convertible loans, which had been subsequently converted to share capital in October 2016.

Inventories and consumables used increased by approximately 7.2% to S$1.1 million due to an increase in medication and consumables.

Employee benefits expense increased by approximately S$1.7 million, of which about S$1.2 million was attributable to increased headcount from new subsidiaries. Depreciation and amortisation expenses decreased by approximately 5.2% to S$199,000 due to a revision in the estimated useful life of plant and equipment, which was partially offset by additions of plant and equipment and computer software for new subsidiaries.

Other expenses increased by approximately S$1.7 million in FY2017, mainly due to one-off IPO expenses of about S$1.3 million in FY2017 compared with S$426,000 in FY2016 and operating expenses for new subsidiaries that were incorporated and acquired during FY2017.

Finance costs decreased by approximately 31.1% or S$138,000, due to interest expense on redeemable convertible loans, which was drawn down in October 2015, and converted to share capital in October 2016.

Share of results of an associate's losses, net of tax, amounting to S$130,000 in FY2016 was due to losses recorded by the associate and additional investment in the associate. No further share of results of the associate was recognised in FY2017, as the accumulated share of losses had exceeded the Group's interest in the associate.

As such, FY2017 profit before income tax declined by 54.0% to approximately S$1.5 million and profit attributable to shareholders decreased by 52.2% to approximately S$1.3 million. Excluding the one-off IPO expenses, interest on redeemable convertible loans and fair value gain on derivative financial instruments, profit attributable to shareholders would have been approximately S$2.8 million in FY2017 and S$3.2 million in FY2016. The decrease was due to increased operating expenses resulting from business expansion, increased headcount and listing status.

FINANCIAL POSITION

The Group had a healthy financial position, with net assets attributable to shareholders of S$13.8 million and a net cash balance of S$8.8 million as at 31 May 2017.

Total assets increased from S$7.2 million as at 31 May 2016 to S$15.6 million as at 31 May 2017. Plant and equipment increased by S$917,000 to S$1.4 million as at 31 May 2017, mainly due to the acquisition of subsidiaries and the purchase of plant and equipment for three new clinics, partially offset by depreciation of plant and equipment. Available-for-sale financial assets, amounting to S$100,000 arose from the investment in HSN Healthcare Pte. Ltd.. Intangible assets comprise of goodwill and computer software. Goodwill amounting to S$3.4 million arose from the acquisitions of LAI BEC Pte. Ltd., CTK Tan Surgery Pte. Ltd. and Julian Ong Endoscopy & Surgery Pte. Ltd. in FY2017. Computer software amounting to S$33,000 relate to software purchased during the financial year and reclassification from plant and equipment, partially offset by amortisation of computer software.

Inventories increased by S$78,000 to S$125,000 in FY2017 due to acquisitions of subsidiaries and the opening of three new clinics. Trade and other receivables increased by S$799,000 to S$1.5 million due to increased receivables outstanding from patients in line with increased revenue, and advance for working capital in investee company, pending conversion into share capital. Prepayment increased by S$151,000 to S$181,000 due to insurance, rental and other expenses, while cash and cash equivalents increased by S$2.9 million to S$8.8 million mainly due to the net proceeds of S$6.2 million received from the IPO.

Total liabilities decreased from S$5.0 million as at 31 May 2016 to S$1.6 million as at 31 May 2017. Derivative financial instruments amounting to S$36,000 relate to the fair value of the options to re-purchase granted under the sale and purchase agreements of LAI BEC Pte. Ltd. and CTK Tan Surgery Pte. Ltd.. Provisions amounting to S$50,000 relate to reinstatement costs of leased premises.

Trade and other payables decreased by S$1.1 million to S$1.2 million mainly due to capitalisation of directors' loans of S$1.6 million into shares of the Company pursuant to the Restructuring Exercise carried out prior to the IPO. Redeemable convertible loans and derivative financial instruments as at 31 May 2016 were converted into shares of the Company pursuant to the Restructuring Exercise. Current income tax payable decreased by S$224,000 to S$321,000 due to lower income tax expenses and the payment of income tax liabilities.

CASH FLOW

The Group's net cash generated from operating activities declined by S$2.0 million in FY2017, from S$2.8 million in FY2016, mainly due to payments for the IPO expenses and increased trade and other receivables. Net cash used in investing activities of S$3.3 million in FY2017 mainly relate to the acquisitions of subsidiaries, LAI BEC Pte. Ltd., CTK Tan Surgery Pte. Ltd. and Julian Ong Endoscopy & Surgery Pte. Ltd., the purchase of plant and equipment and investment in an available-for-sale financial assets. The Group recorded net cash from financing activities of S$5.4 million in FY2017, compared with net cash generated of S$2.8 million in FY2016. This was mainly from the gross IPO proceeds of S$8.1 million, offset by dividends paid amounting to S$2.6 million. Overall, the Group recorded a net increase in cash and cash equivalents of S$2.9 million to S$8.8 million as at 31 May 2017.

OUR BUSINESS

Our Group is a medical services group primarily engaged in the provision of endoscopic procedures, and general surgery services with a focus on colorectal procedures across a network of clinics located throughout Singapore.

ENDOSCOPIC PROCEDURES

The typical endoscopic procedures we perform include Gastroscopy and Colonoscopy. These are procedures whereby a thin, flexible tube called the endoscope or colonoscope, is used to look inside the stomach and the colon respectively. There is a light and a camera at one end of the scope, which sends clear images of the mucosa lining to a monitor.

The procedures are safe and are usually carried out as an outpatient procedure under sedation and generally do not require admission in a hospital.

Gastroscopy

Gastroscopy is sometimes referred to as an upper gastrointestinal endoscopy. It allows the specialist to view the inside of a patient's oesophagus, stomach and duodenum through the monitor.

It is often used to:

- Investigate problems such as difficulty in swallowing or persistent abdominal pain;
- Diagnose conditions such as stomach ulcers or gastro-oesphageal reflux disease; or
- Treat conditions like bleeding ulcers, blockage in the oesophagus, polyps or small cancerous tumours.

Colonoscopy

Colonoscopy is a procedure which enables the specialist to view the inside of the colon (large intestine). It is best known as a screening tool for early detection of colon cancer. It is often used to investigate other diseases of the colon resulting in abdominal discomfort, anaemia, blood in stool, diarrhoea, change in bowel habits, and unexplained weight loss. It can also be used in the treatment of bleeding diverticulitis, and polyps removal (which are the precursors of cancers).

SURGICAL PROCEDURES

Other common conditions that we treat surgically are:

1. Haemorrhoids
2. Anal Fissure
3. Anal Abscess
4. Anal Fistula
5. Lipomas and Cysts
6. Hernia
7. Cholecystitis
8. Colorectal Cancer
9. Gastric Cancer

Haemorrhoids

Haemorrhoids, commonly known as piles, are swelling or enlarged blood vessels found inside or around the rectum or anus. Symptoms typically include bleeding when passing motion and/or anal lump. Haemorrhoidectomy/Ligation is commonly done as a treatment in our centres.

Anal Fissure

An anal fissure is a small tear in the mucosa lining of the anus. Anal fissures can be acute or chronic. The most common symptom is pain when passing motion or bleeding after motion. They can be caused by constipation, passing a large stool, diarrhoea or straining during childbirth. Lateral Sphincterotomy is the treatment for anal fissures.

Anal Abscess

Anal abscess is the build-up of pus in the rectum and anus. Symptoms include anal pain, and fever. If this not fully treated, it can lead to anal fistula. Treatment usually involves draining the infected fluid and dressing of the wound after the operation.

Anal Fistula

Anal fistula is a small channel that can develop between the end of the bowel and the skin near the anus, usually the result of an infection near the anus causing a collection of pus in the nearby tissues. When the pus drains away, it leaves behind a small tunnel. Common symptoms can include skin irritation, anal discomfort, smelly anal discharge, swelling and fever. Fistulotomy is often done as a treatment for anal fistula whereby the surgeon first probes to find the fistula's internal opening. Following that, the tract is cut open, scraped and the contents are flushed out. The wound is then dressed during the recovery.

Lipomas and Cysts

Lipomas are soft, fatty lumps that grow under the skin. They are harmless and can usually be left alone. They are benign and caused by an overgrowth of fat cells. They can grow anywhere in the body, but are usually seen at the shoulders, neck, chest, arms, back, buttock and thigh.

Cysts are sacs under the skin that contains fluids and can be mistaken as a lipoma. Surgical treatments are carried out when they cause pain.

Lipomas and Cysts can be easily removed in our centres under local anaesthesia, by cutting the skin over the lump, removing the lipoma/cyst and stitching it up.

Hernia

A hernia is a gap or space in the strong tissue that holds muscle in place. It occurs when the inside layers of the abdominal muscle weaken, resulting in a bulge or tear. The inner lining of the abdomen pushes through the weakened area of the abdominal wall to form a small sac.

Hernia can cause discomfort, severe pain or other potentially serious problems that could require emergency surgery.

OUR BUSINESS

There are currently 2 ways for the treatment of hernias:

1. Open surgery – where one cut is made to allow the surgeon to push the lump back into the abdomen.
2. Laparoscopic (keyhole) surgery – less invasive, but a more difficult technique where several smaller cuts are made, to allow the surgeon to use various special instruments to repair the hernia.

Cholecystitis

Cholecystitis is the inflammation of the gallbladder, commonly caused by an obstruction of the cystic duct by gallstones arising from the gallbladder (cholelithiasis). The common symptoms are nausea, tenderness in the abdomen, fever and abdominal pain. Cholecystitis can be diagnosed through ultrasound. The treatment for cholecystitis is Laparoscopic Cholecystectomy (making small incisions in the abdomen to remove the gallbladder).

Colorectal Cancer

Colon cancer is cancer of the large intestine (colon), the lower part of the digestive system. Rectal cancer is cancer of the last several centimetres of the colon. Together, they are often referred to as colorectal cancers. Most cases of colon cancer begin as small, benign clumps of cells called adenomatous polyps. Over time these polyps develop into colon cancers. Polyps may be small and usually do not cause any symptom. For this reason, doctors recommend regular screening tests (colonoscopy) as prevention of colon cancer by removing the polyps before they develop into colon cancer.

Common symptoms of colon cancer include:

- A change in your bowel habits
- Blood in stool
- Persistent abdominal discomfort
- Incomplete evacuation
- Weakness or fatigue
- Unexplained weight loss

Surgery usually involves a segmental resection of the affected region, with the ends are sewn back together. Resection may be done as a keyhole procedure, open surgery or most recently, via robotic surgery.

Gastric Cancer

Gastric cancer is a disease in which malignant cells form in the lining of the stomach. Symptoms include anaemia, abdominal discomfort, indigestion, nausea. Gastroscopy is used to diagnose the condition, after which gastrectomy may be done for the treatment. Gastrectomy is surgical removal of part or whole of the stomach.

OTHER ANCILLARY SERVICES

We also provide general consultation and diagnostic services for patients. All our clinics are able to provide a range of diagnostic tests including, X-rays, Ultrasound, CT scans, MRIs, PETs, and blood tests to aid in our diagnosis.

MANAGEMENT AND SERVICE PROVIDER

Our associated company, Medinex Pte. Ltd., provides medical-related services to many healthcare providers, such as:

- Setting up medical clinics and applying for the necessary licences;
- Setting up medical clinic systems such as Clinic Assist;
- Training nurses and administrative staff to familiarise with the medical clinic systems and filing standards, to smoothly integrate with back-end financial system and operations; and
- Providing a full suite of accounting, tax, secretarial services and advisory for both medical and non-medical corporate clients.

HOME CARE SERVICES

Home care is providing supportive care in the home, thereby allowing a person with special needs to receive the care they need within the comfort of their home. It is usually meant for people who are getting older, chronically ill, recovering from surgery, or disabled. The home care services provided by HCSS are as follows:

1. Home Medical Services
2. Home Nursing Services
3. Home Physiotherapy Sessions
4. Home Speech Therapy Services
5. Home Occupational Therapy Visits
6. Private Ambulance Services

BOARD OF DIRECTORS

MR. CHONG WENG HOE

Non-executive Chairman and Independent Director

Mr. Chong Weng Hoe was appointed as our Non-executive Chairman and Independent Director on 28 September 2016. Since July 2013, he has been a Board Director and Executive Vice President of TÜV SÜD PSB Pte. Ltd. (previously known as PSB Corporation Pte Ltd) where he is responsible for its strategic business development in the ASEAN region. He has held numerous positions within TÜV SÜD PSB Pte. Ltd. since April 1991, where he joined as an engineer and was subsequently promoted to vice president, senior vice president, and chief executive officer. Mr. Chong is also an independent director of Regal International Group Ltd and Keong Hong Holdings Ltd, which are listed on the Main Board of the SGX-ST.

Mr. Chong graduated from NUS with a Bachelor of Engineering (Electrical) in June 1989 and obtained a Masters of Business Administration (Accountancy) from the Nanyang Technological University in March 1997. He is also a member of several professional and public interest committees such as the Singapore National Council for the International Electrotechnical Commission, Consumer Product Safety Advisory Committee and the Marketing Committee of the Singapore Accreditation Council. Mr. Chong was also awarded the Standard Council Merit Award by SPRING Singapore in 2004 for his contribution to the national standardisation programme in his industry.

DR. HEAH SIEU MIN

Executive Director and Chief Executive Officer

Dr. Heah Sieu Min was appointed as our Executive Director and Chief Executive Officer on 1 September 2015 and was re-elected on 28 September 2016. Dr. Heah is responsible for the overall management, strategic planning and business development of our Group.

Dr. Heah started his career as a houseman in Ireland, before returning to Singapore where he served as a Medical Officer in Tan Tock Seng Hospital from 1992 to 1994. After moving to Singapore General Hospital in 1994, he held various positions including Registrar of the Department of Colorectal Surgery, Associate Consultant of the Department of Colorectal Surgery and Consultant of the Department of Colorectal Surgery until 2004. He then spent approximately three years as a Consultant for colorectal surgery at Pacific Colorectal Centre, before starting his own private practice in 2007, the Heah Colorectal Endoscopy & Piles Centre. He has since opened various other clinics including Heah Endoscopy & Piles Centre (Bukit Batok), The Endoscopy & Piles Centre (Hougang) and Tampines Endoscopy and Surgery Centre.

Dr. Heah graduated from the National University of Ireland with a Bachelor's degree in Medicine and Surgery in 1990. He is an accredited specialist in general surgery with the Singapore Ministry of Health, a registered specialist in general surgery with the Singapore Medical Council, and a fellow of the Royal College of Surgeons of Edinburgh as well as the Academy of Medicine Singapore. Dr. Heah has also been the recipient of several awards over the years including the Singapore General Hospital Service Quality Award, which he received consecutively for three years from 2000 to 2002, and the SME Prestige Award in 2013. In reservist, Dr. Heah attained the rank of Lieutenant Colonel and was Commanding Officer of the 1st Combat Support Hospital (1CSH) from 2008-2013. In 2012, he was awarded The Commendation Medal (National Day awards).

DR. CHIA KOK HOONG

Executive Director and Medical Director

Dr. Chia Kok Hoong was appointed as our Executive Director on 1 September 2015 and was re-elected on 28 September 2016. He was recently appointed as the Group's Medical Director on 6 July 2017, where he will oversee the Group's medical practices, standards and governance. Dr. Chia has spent most of his career in the public healthcare sector, first serving as a Registrar at Alexandra Hospital before being appointed as a Consultant at Singapore General Hospital. Dr. Chia then moved to Tan Tock Seng Hospital where he was appointed as a Senior Consultant before being appointed as Deputy Head of the General Surgery Department. Dr. Chia spent over 20 years in the public healthcare sector before establishing his private practice at Mount Elizabeth Medical Centre in July 2009.

Dr. Chia graduated from NUS with a Bachelor's degree in Medicine and Surgery in 1986. He is an accredited specialist in general surgery and an accredited renal transplant surgeon with the Singapore Ministry of Health, as well as a fellow of the Royal College of Surgeons of Edinburgh and the Academy of Medicine Singapore. Dr. Chia has also participated in numerous educational activities, having served as an Associate Professor at the Yong Loo Lin School of Medicine, National University of Singapore, in addition to being regularly invited to give lectures at seminars and panel discussions. Further, Dr. Chia was also a member of several professional committees such as Ministry of Health Specialist Training Committee for General Surgery and is currently an elected member of the Singapore Medical Council.

Dr. Chia has been the recipient of numerous awards over the years, including the Singapore General Hospital Service Quality Award (Service with a Heart) in 2002, the Courage Fund Tan Tock Seng for SARS cases Award in 2003, the Tan Tock Seng Hospital Excellent Service Award (Gold) in 2005 and 2006, and the Tan Tock Seng Hospital Service Champion Award in 2006. He was also awarded the Minister's Award for Public Spiritedness in 2010.

MR. LIM CHYE LAI, GJAN

Non-Independent Non-executive Director

Mr. Lim Chye Lai, Gjan was appointed as our Non-Independent Non-executive Director on 28 September 2016. Mr. Lim has worked in the medical equipment industry for over 16 years. He started his career at Schmidt BioMedTech Pte Ltd in 2000 as a Sales Engineer before moving on to Olympus Medical Ltd in 2001, where he served as their Regional Product Executive until 2005. In 2005, he joined Minimally Invasive Therapies Group, Medtronic, which is involved in the supply of minimally invasive therapies, and is currently the Business Unit Director of Singapore and Malaysia. Mr. Lim has also been serving as the Chairman of Business Sub-Committee in the Medical Technology Industry Group since 2012, a group formed by various companies operating in the medical technology industry.

Mr. Lim graduated from Temasek Polytechnic with a Diploma in Electronics in 1998.

MR. OOI SENG SOON

Independent Non-executive Director

Mr. Ooi Seng Soon was appointed as our Independent Non-executive Director on 28 September 2016. With more than 24 years of experience in banking and finance, Mr. Ooi had worked in various positions in ABN AMRO Bank from 1974 to 1996, before joining Oversea-Chinese Banking Corporation, where he headed the Enterprise Banking division of the Bank of Singapore from 1997 to 1998 before his retirement.

Mr. Ooi had previously served as Independent Director of NH Ceramics Limited (now known as Blackgold Natural Resources Limited), a company listed on the Catalist Board of the SGX-ST, and is currently an independent director of BRC Asia Limited, which is listed on the Mainboard of the SGX-ST. He was actively involved in board matters, having acted as Chairman of various board committees such as the Audit Committee and Remuneration Committee.

Mr. Ooi graduated from the University of Singapore with a Bachelor of Arts in 1971.

KEY MANAGEMENT

MS. SOPHIA ONG

Chief Financial Officer

Ms. Sophia Ong joined our Group on 15 February 2016 and is our Chief Financial Officer. Ms. Ong oversees the accounting and financial matters of our Group. Ms. Ong started her career as an Audit Assistant at a local certified public accountant firm, Ng Vun & Co in 2001. She left to join Ernst & Young in 2004 before moving to Sincere Watch Limited, a company previously listed on the Main Board of the SGX-ST, in 2005 where she held various positions including Assistant Finance Manager and Assistant Vice-President of Finance. In 2012, she was the Deputy Head of Finance at Emperor Watch & Jewellery (S) Pte. Ltd., before joining our Group in 2016.

Ms. Ong is a chartered accountant with over 16 years of experience in accounting, audit and tax matters. She graduated from Nanyang Technological University with a Bachelor of Accountancy.

MS. OUYANG YUXIA, CONNIE

Chief Operating Officer

Ms. Ouyang Yuxia, Connie joined our Group in 2007 and has been appointed as our Chief Operating Officer on 1 June 2017. She is responsible for the overall operation of our Group's clinics, ensuring that each of the clinics within our Group conforms to a common operating procedure and process, obtains and maintains the necessary regulatory licences, and adheres to stringent standard of procedures, clinical guidelines and safety procedures. Ms. Ouyang has over a decade of experience in the healthcare industry, during which she gained extensive experience in the management and operation of clinics and healthcare centres. As a key employee of Heah Sieu Min (Mt E) for almost 10 years, she has accumulated in-depth knowledge of the operations of our Group's clinics. Her past experience working as a lab technologist at Singapore General Hospital has also allowed her to gain an understanding of the field of endoscopic medicine.

Ms. Ouyang graduated from Temasek Polytechnic with a Diploma in Biomedical Science in May 2003.

MS. CAI TING TING

Operations and Marketing Manager

Ms. Cai Ting Ting has been with our Group since 2008 and is our Group's Operations and Marketing Manager. Ms. Cai previously worked at Singapore General Hospital, Tan Tock Seng Hospital and Novena Surgery from 2003 to 2008, where she assisted with surgical cases before joining Heah Sieu Min (Mt E) as a clinical nurse in 2008. She is a registered nurse with the Singapore Nursing Board with over a decade of experience in the field of surgical medicine. She has been our key personnel in setting up the Group's clinics.

Ms. Cai graduated from the Institute of Technical Education in June 2003 with a Certificate in Nursing, and from Nanyang Polytechnic in May 2007 with a Diploma in Nursing. She was the recipient of the Singapore General Hospital Service Quality Award in August 2003.

MEDICAL TEAM WRITE-UP

DR. HEAH SIEU MIN

MBBCh, FRCSEd (General Surgery), FAMS General Surgeon

Dr. Heah graduated from the National University of Ireland in 1990 with a Bachelor's degree in Medicine and Surgery. After completing his housemanship in Ireland, he returned to Singapore where he worked in various hospitals including Tan Tock Seng Hospital, Singapore General Hospital and KK Women's and Children's Hospital. He obtained his FRCSEd in general surgery in 1994, and was accredited as a specialist in general surgery by the Ministry of Health and the Singapore Medical Council in 1999. Dr. Heah obtained his FAMS in general surgery in 2000. Dr. Heah established Heah Colorectal Endoscopy & Piles Centre in 2007 and Heah Endoscopy and Piles Centre (Bukit Batok) in 2010.

DR. CHIA KOK HOONG

MBBS (Singapore), FRCSEd (General Surgery), FAMS General Surgeon

Dr. Chia graduated from the National University of Singapore in 1986 with a Bachelor's degree in Medicine and Surgery. He obtained his FRCSEd in 1991, and in 1998, he was accredited as a specialist in General Surgery by the Ministry of Health. Dr. Chia had subspeciality training in vascular surgery and renal transplant surgery. He obtained his FAMS in 2000. After spending 23 years in the public healthcare sector, Dr. Chia established his private practice in 2009. Dr. Chia had served as a member of professional committees such as the Ministry of Health Specialist Training Committee for General Surgery and is currently an elected member of the Singapore Medical Council.

DR. LAI JIUNN HERNG

MBBS (Surgeon), MRCSEd (Surgery), M.Med (Surgery), FRCSEd (General Surgery)

Dr. Lai obtained his Bachelor's degree in Medicine and Surgery (MBBS) from the National University of Singapore in 1998. He went on to obtain his Membership in Surgery from the Royal College of Surgeons of Edinburgh (MRCSEd) in 2004, and received his Master of Medicine in Surgery (M.Med) from the National University of Singapore in 2005. He completed his advanced surgical training and was awarded the Fellowship in General Surgery from the Royal College of Surgeons of Edinburgh (FRCSEd) in 2009. He specialises in colorectal and general abdominal surgery, endoscopy and proctology. His subspecialties include minimally invasive and robotic colorectal surgery, advanced endoscopy and, new techniques in piles and anal fistula surgery. Dr. Lai is Past President of the Society of Colorectal Surgeons, Singapore (SCRS). He sits on the Board of Directors of the Asia Pacific Endo-Laparoscopy Surgery Group (APELS) and is a lifetime member of the Endoscopic and Laparoscopic Surgeons of Asia (ELSA). Dr. Lai is teaching faculty at the Duke-NUS Medical School and is actively involved in undergraduate, post-graduate surgical teaching as well as endo-laparoscopic workshops for surgeons in the Asia Pacific region. Dr. Lai joined our Group in November 2016.

DR. CHARLES TAN

MBBCh, FRCSEd (General Surgery), FAMS General Surgeon

Dr. Tan graduated from Leicester University in 1995 with a Bachelor's degree in Medicine and Surgery. After completing his general surgery training at the National University Hospital, he went on to complete his subspeciality training in endocrine surgery and endoscopic hernia repairs in 2007 at the Royal North Shore Hospital in Sydney, New South Wales. Dr. Tan's area of interest is in minimally invasive thyroid and hernia surgeries. Before establishing his own private practice at Mount Elizabeth Novena Specialist Centre in 2012, Dr. Tan served as the Head of the Endocrine Surgery Division at NUH, where he pioneered the robotic axillary thyroid surgery programme. He is currently serving as the President of the Singapore Hernia Society. Dr. Tan joined our Group in September 2016.

MEDICAL TEAM WRITE-UP

DR. JULIAN ONG

MBBS (Singapore), M.Med (Surgery), FRCSEd (General Surgery), FAMS (Surgery)

Dr. Ong graduated from the National University of Singapore with a Bachelor's degree in Medicine. He completed his fellowships in the Royal College of Surgeons of Edinburgh in 2009, and subsequently obtained his Master's degree of Medicine (Surgery) from the National University of Singapore. Dr. Ong was Associate Consultant at the Department of Colorectal Surgery at the Singapore General Hospital, one of the most progressive colorectal surgical units in the region, between 2009 and 2011, and was the Consultant Surgeon at the Pacific Surgical and Colorectal Centre from 2011 to 2013. His areas of interest are in endoscopy and in minimally invasive surgery, particularly in laparoscopic surgery for colorectal cancer. Dr. Ong also focuses on the management of all other colorectal conditions and surgery for perianal conditions. He has performed many colon and rectal surgeries in both laparoscopic and open techniques. He is an accredited console surgeon in robotic-assisted laparoscopic surgery. In addition, Dr. Ong also has an interest in the field of trauma surgery, being an accredited instructor in the Advanced Trauma Life Support (ATLS) training program. Dr. Ong joined our Group in April 2017.

DR. TAN SEE LIN

LRCP & SI, MB Bch, BAO (NUI)

Dr. Tan graduated from the Royal College of Surgeons in Ireland with a Licentiate of the Royal College of Physicians of Ireland & Royal College of Surgeons in Ireland, Bachelor of Medicine and Bachelor of Surgery and Bachelor in the Art of Obstetrics in 1991. She started her career in Ireland as a houseman at the James Connolly Memorial Hospital, and at the Letterkenny General Hospital. Dr. Tan served as a medical officer at the National University Hospital from 1993 to 1995 where she received training in general orthopaedic surgery. She joined Healthway Medical Group as a general practitioner in 1995 and subsequently moved on to Pacific Healthcare Holdings in 2005, before joining our Group in July 2016.

DR. MALCOLM LIM

LRCP & SI, MB Bch, BAO (NUI)

Dr. Lim graduated from the Royal College of Surgeons in Ireland with a Licentiate of the Royal College of Physicians of Ireland & Royal College of Surgeons in Ireland, Bachelor of Medicine and Bachelor of Surgery and Bachelor in the Art of Obstetrics in 1992. He completed his housemanship at the Singapore General Hospital and Kandang Kerbau Hospital from 1992 to 1993, after which he served as a medical officer with the Singapore Armed Forces for two years. In 1995, he joined Healthway Medical Group as a general practitioner, and in 2005, Dr. Lim moved to Pacific Healthcare Holdings where he worked as a general practitioner, before joining our Group in July 2016.

DR. LAI JUNXU

MBBS (Singapore), Dip (Fam Med), Dip (Pall Med), DWD (CAW)

Dr. Lai obtained his Bachelor's degree in Medicine and Surgery in 2008 from the National University of Singapore, where he topped his cohort in Neuroscience and was the top student in the study of Obstetrics and Gynaecology. After graduation, he rotated through various disciplines of clinical practice at the Singapore General Hospital and KK Women's and Children's Hospital. Dr. Lai is one of the resident locum doctors at Thomson Medical Centre 24-hours Family Clinic and has also worked as a locum doctor at the accident and emergency departments at Mount Alvernia Hospital and Mount Elizabeth Hospital. Since November 2013, Dr. Lai has been running the home care programme for patients from Yong-En Care Centre, and in 2014, he started his collaboration with Thye Hua Kwan Moral Charities Ensuite Care Services to provide home care services to needy patients. Dr. Lai completed his Graduate Diploma in Palliative Medicine in 2016, which enabled him to extend his home care services to benefit dying patients in their last days. He helped the Agency for Integrated Care's Holistic care for Medically-advanced patients (HOME) programme which is a palliative home care service for patients with end-stage organ diseases, and Jurong Health Services with their Sub-acute Ambulatory care for Functionally challenged and/or Elderly (SAFE) programme – the first ambulatory home care programme in Singapore. In 2016, Dr. Lai expanded his home care service by collaborating with Kwong Wai Shiu Hospital and the Home Nursing Foundation to help provide medical services at the homes of their patients. Dr. Lai joined our Group in June 2017.

LOCATIONS OF **CLINICS**

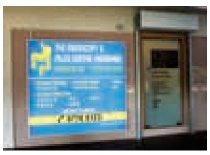
01 **Heah Colorectal Endoscopy & Piles Centre**
3 Mount Elizabeth #12-06
Mount Elizabeth Medical Centre
Singapore 228510
Tel: +65 6737 5335

02 **Heah Endoscopy & Piles Centre (Bukit Batok)**
Blk 644 Bukit Batok Central #01-70
Singapore 650644
Tel: +65 6665 1355

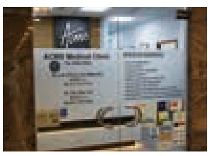
03 **The GP Endoscopy & Piles Centre (DLeedon)**
19 Leedon Heights #01-62
D'Leedon
Singapore 266227
Tel: +65 6463 5633

04 **HC Endoscopy & Piles Centre (GM)**
21 Ghim Moh Road #01-141
Ghim Moh Gardens
Singapore 270021
Tel: +65 6265 4058

05 **HC Endoscopy & Piles Centre (Hillford)**
182 Jalan Jurong Kechil #01-66
The Hillford
Singapore 596152
Tel: +65 6463 4506



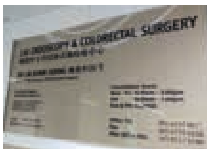
06 **The Endoscopy & Piles Centre (Hougang)**
Blk 684 Hougang Avenue 8
#01-981 (2nd floor)
Singapore 530684
Tel: +65 6686 6542



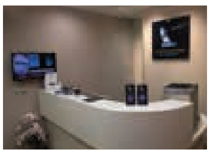
07 **ACMS Medical Clinic**
1 Grange Road #06-06
Orchard Building
Singapore 239693
Tel: +65 6262 5052

08 **Endoscopy, Veins & Piles Centre**
1 Farrer Park Station Road #13-13
Connexion
Singapore 217562
Tel: +65 6443 6240

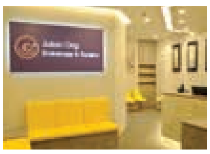
09 **HC Thyroid Hernia & General Surgery Centre**
(formerly known as
Chia KH Surgery (Mt A))
820 Thomson Road #06-08
Mount Alvernia Medical Centre A
Singapore 574623
Tel: +65 6254 0284



10 **Lai Endoscopy & Colorectal Surgery**
3 Mount Elizabeth #05-06
Mount Elizabeth Medical Centre
Singapore 228510
Tel: +65 6737 0027



11 **Charles Tan Surgery**
– Mount Elizabeth Novena
38 Irrawaddy Road #09-37
Mount Elizabeth Novena Specialist Centre
Singapore 329563
Tel: +65 6684 3433
– Gleneagles (ceased on 31 July 2017)
6 Napier Road #03-11
Gleneagles Medical Centre
Singapore 258499



12 **Julian Ong Endoscopy & Surgery**
38 Irrawaddy Road #05-49
Mount Elizabeth Novena Specialist Centre
Singapore 329563
Tel: +65 6694 0449

13 **Tampines Endoscopy & Surgery Centre**
Blk 801 Tampines Avenue 4 #01-273
Singapore 520801
Tel: +65 6786 0080

OUR GROUP STRUCTURE

HC SURGICAL SPECIALISTS LIMITED

- 100.0% Heah Sieu Min (Mt E) Pte. Ltd.
- 100.0% Heah Sieu Min (Bukit Batok) Pte. Ltd.
- 100.0% Heah Sieu Min (Paragon) Pte. Ltd.
- 100.0% Heah Sieu Min (DLeedon) Pte. Ltd.
- 100.0% HC (GM) Pte. Ltd.
- 100.0% HC (Hillford) Pte. Ltd.
- 100.0% CKH (Mt. E) Pte. Ltd.
- 100.0% CKH (Farrer Park) Pte. Ltd.
- 100.0% CKH (Mt A) Pte. Ltd.
- 100.0% Hougang Clinic Pte. Ltd.
- 100.0% CTK Tan Surgery Pte. Ltd.
- 66.7% SHL Group Pte. Ltd.
- 51.0% LAI BEC Pte. Ltd.
- 51.0% Julian Ong Endoscopy & Surgery Pte. Ltd.
- 51.0% Malcolm Lim Pte. Ltd.
- 51.0% Medical L & C Services Pte. Ltd.
- 33.3% Medical Services @ Tampines Pte. Ltd.
- 49.0% Medinex Pte. Ltd.

CORPORATE INFORMATION

BOARD OF DIRECTORS

MR. CHONG WENG HOE	Non-executive Chairman and Independent Director
DR. HEAH SIEU MIN	Executive Director and Chief Executive Officer
DR. CHIA KOK HOONG	Executive Director and Medical Director
MR. LIM CHYE LAI, GJAN	Non-Independent Non-executive Director
MR. OOI SENG SOON	Independent Non-executive Director

AUDIT COMMITTEE

MR. OOI SENG SOON (Chairman)
MR. CHONG WENG HOE
MR. LIM CHYE LAI, GJAN

REMUNERATION COMMITTEE

MR. CHONG WENG HOE (Chairman)
MR. OOI SENG SOON
MR. LIM CHYE LAI, GJAN

NOMINATING COMMITTEE

MR. CHONG WENG HOE (Chairman)
MR. OOI SENG SOON
MR. LIM CHYE LAI, GJAN

JOINT COMPANY SECRETARIES

MS. LIN MOI HEYANG
MS. TANG PEI CHAN

REGISTERED OFFICE

80 Robinson Road #02-00
Singapore 068898
Tel: +65 6236 3333
Fax: +65 6236 4399

SHARE REGISTRAR

TRICOR BARBINDER SHARE REGISTRATION SERVICES
(a division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #02-00
Singapore 068898

AUDITORS

BDO LLP
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778
Partner-in-Charge: **MR. LEONG HON MUN PETER**
(Appointed since the financial year ended 31 May 2016)

PRINCIPAL BANKERS

OVERSEA-CHINESE BANKING CORPORATION LIMITED
UNITED OVERSEAS BANK LIMITED

CONTINUING SPONSOR

PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.

INVESTOR RELATIONS

WATERBROOKS CONSULTANTS PTE. LTD.
1000 Toa Payoh North
SPH News Centre, Annexe Block, Level 7
Singapore 318994
Email: wayne.koo@waterbrooks.com.sg
Contact person: Mr. Wayne Koo

FINANCIAL CONTENTS

CORPORATE **GOVERNANCE REPORT**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

INTRODUCTION

HC Surgical Specialists Limited ("HCSS" or the "Company") and its subsidiaries (the "Group") are committed to maintaining a high standard of corporate governance to protect shareholders' interests and enhance shareholders' value. The Group adopts practices based on the revised Code of Corporate Governance 2012 ("the Code") issued on 2 May 2012 and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "SGX-ST") in January 2015 (the "Guide"). This report describes the Group's corporate governance practices that were in place throughout the financial year ended 31 May 2017 ("FY2017"), with specific reference made to the principles and guidelines as set out in the Code and SGX-ST Listing Manual Section B: Rules of the Catalist (the "Catalist Rules") where applicable except where otherwise stated. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The primary function of the Board of Directors (the "Board") is to provide effective leadership and direction to enhance the long-term value of the Group to its shareholders and other stakeholders. The Board has the overall responsibility for reviewing the strategic and financial plans, performance objectives, key operational initiatives, major funding and investment proposals, financial performance reviews, and corporate governance practices.

In addition, the principal duties of the Board include:

- Approve the corporate direction and strategy of the Group and monitor the performance of the management;

- Review the adequacy and integrity of the Company's internal controls, risk management systems, and financial information reporting system;

- Approve the nomination and appointment of key management personnel;

- Approve the annual budget, major funding proposals and investment proposals, and ensuring the necessary financial and human resources are in place for the Company to meet its objectives;

- Review the financial performance and necessary reporting compliance;

- Set Company values and standards (including ethical standards) and ensure that obligations to shareholders and other stakeholders are understood and met;

- Assume responsibility for corporate governance; and

- Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

Delegation of Authority on Certain Board Matters

The Board has delegated certain functions to various Board Committees, namely the Audit Committee ("AC"), Nominating Committee ("NC"), and Remuneration Committee ("RC") (collectively the "Board Committees"). Each of the various Board Committees has its own written terms of reference and whose actions are reported to and monitored by the Board. The Board accepts that while these various Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

The Board has documented internal guidance for matters that require Board approval. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the relevant Board Committees and/or Management to optimise operational efficiency guided by internal policies and limits of authority. Specifically, matters and transactions, which require the Board's approval include: major investments exceeding $1,000,000, corporate restructuring, mergers and acquisitions, material acquisitions or disposal of assets, the release of the Group's financial results announcements, material interested person transactions exceeding $100,000 and declaration of dividends.

Meetings of the Board and Board Committees

The Board convenes regularly for scheduled meetings and any ad-hoc meetings are arranged when required. If Directors are unable to attend Board meetings physically, such meetings may be conducted via telephone conference, video conference, audio visual or by means of a similar communication equipment.

The number of Board meetings and Board Committee meetings held in FY2017 and the attendance of Directors at these meetings are as follows:

	Board	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Meetings held during FY2017	2	2	2	2
Name of Director	**Number of Meetings Attended**			
Mr. Chong Weng Hoe	2	2	2	2
Dr. Heah Sieu Min	2	2*	2*	2*
Dr. Chia Kok Hoong	2	1*	2*	2*
Mr. Lim Chye Lai, Gjan	2	2	2	2
Mr. Ooi Seng Soon	2	2	2	2

* *Executive Directors were invited to sit in the AC, NC and RC meetings.*

Training of Directors

The Board ensures that incoming new Directors are familiarised with the Group's businesses and corporate governance practices upon their appointment, to facilitate the effective discharge of their duties. All newly appointed Directors will undergo an orientation programme where the Director would be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a Director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel.

The Company has an on-going budget for all Directors to receive relevant training. Board members are encouraged to attend seminars and receive training in connection with their duties as Directors in areas such as accounting and legal knowledge, particularly on latest developments to relevant laws, regulations, accounting standards and changing commercial risks to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities.

First time Directors would have training in areas such as accounting, legal and the industries which the Group operates in. Directors are constantly kept abreast of developments in regulatory, legal, and accounting frameworks that are of relevance to the Group through participation in the relevant training courses, seminars and workshops.

The Directors are also encouraged to attend the relevant courses and programs from the Singapore Institute of Directors to be acquainted with the role and responsibilities of a Director in the context of a listed company. As part of the listing process of the Company, the Management had conducted briefings and orientation programmes to familiarise newly appointed Directors and existing Directors with the various businesses, operations and processes of the Group.

The table below shows the trainings and briefings attended by the Directors in FY2017:

Name of Director	**Course**	**Training Provider**	**Frequency**
Dr. Heah Sieu Min	LCD 3 – Risk Management Essentials	Singapore Institute of Directors	Once
Dr. Chia Kok Hoong	LCD 2 – Audit Committee Essentials	Singapore Institute of Directors	Once
Mr. Lim Chye Lai, Gjan	LCD 3 – Risk Management Essentials	Singapore Institute of Directors	Once

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

Principle 2: Board Composition and Guidance

The Board has 5 members and comprises the following:

Composition of the Board		***Composition of the Board Committees*** • *C – Chairman* • *M – Member*		
Name of Director	**Designation**	**AC**	**NC**	**RC**
Dr. Heah Sieu Min	Executive Director and Chief Executive Officer	–	–	–
Dr. Chia Kok Hoong	Executive Director and Medical Director	–	–	–
Mr. Chong Weng Hoe	Non-executive Chairman and Independent Director	M	C	C
Mr. Ooi Seng Soon	Independent Non-executive Director	C	M	M
Mr. Lim Chye Lai, Gjan	Non-Independent Non-executive Director	M	M	M

Taking into consideration the size of the current business operations of the Group, the Board considers its current Board size as appropriate.

The Company has not appointed a Lead Independent Director as it would not be required for the Company pursuant to Guideline 3.3 of the Code, given that the Chairman and CEO are different persons and are not immediate family members, and the Chairman is an Independent Director who is not part of the management team.

Each year, the NC will review the size and composition of the Board and Board Committees and the skills and core competencies of its members to ensure an appropriate balance of skills, experience and gender. This is done via questionnaires conducted among the Board members, on the skills, experience and core competencies, amongst others, that they deemed relevant to the Group. In identifying Director nominees, the Board's policy is to consider the relevant experience and industry knowledge, and core competencies that may be lacking in the Board, and yet is important for the Group in the long-term, regardless of gender. The Board considers that its Directors possess the necessary competencies and knowledge to lead and govern the Group effectively. Key information regarding the Directors is set out in pages 12 to 13 of the Annual Report.

No individual or group within the Board dominates or is able to dominate the discussion process and decision-making. The Independent Non-executive Directors will meet and discuss on the Group's affairs without the presence of management on an ad-hoc basis.

The NC will determine the independence of each Director based on the definition of independence set out in the Code. For FY2017, the NC has reviewed and has confirmed the independence of the Independent Directors in accordance with the Code. There were no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent. Presently, none of the Independent Directors has served for more than nine (9) years.

Principle 3: Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer ("CEO") positions are held by separate individuals. This segregation of roles also facilitates a healthy, open exchange of views and opinions between the Board and management in their deliberation of the business, strategic plans and key activities of the Company. The Chairman is not related to the CEO.

The Chairman bears the primary responsibility for the workings of the Board, ensuring its effective function, sets its agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues. He promotes a culture of openness and debate at the Board. He also ensures that the Board meetings are held whenever necessary; the Directors receive accurate, clear and timely information, encourages constructive relations between management and the Board, as well as between Executive and Independent Directors and facilitates the effective contribution of Independent Directors; and ensures effective communication with shareholders. The Chairman also plays an instrumental role in charting directions and strategies and providing the Group with strong leadership and vision. He is responsible for promoting high standards of corporate governance.

The CEO is primarily responsible for the day-to-day management of the operations and performance of the Group; and reports to the Board on the Group's operations and performance. He has overall responsibility for the organisational effectiveness and the implementation of policies and decisions of the Board. The CEO works closely with the Chairman on formulating the Group's operational strategies and matters to be tabled at the Board level.

The presence of a strong, independent and active participation of the Independent Directors ensures the proper functioning of the Board and good check and balance. As such, the Board believes that there are adequate safety measures in place against an uneven concentration of power and authority, and the Chairman and CEO do not have unfettered powers of decisions.

Principle 4: Board Membership

The NC is guided by the terms of reference approved by the Board and sets out the duties and responsibilities of this committee. The NC's principal functions are to:

- Review and approve any new employment of related persons to Directors and proposed terms of their employment;

- Review of Board succession plans for Directors, in particular the Chairman and CEO;

- Development of a process for evaluation of the performance of the Board, the Board Committees and Directors;

- Review of training and professional development programs for the Board;

- Recommend to the Board on Board appointments, including re-nominations of existing Directors for re-election in accordance with the Company's Constitution, taking into account the Director's contribution and performance;

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

- Review the adequacy of the size of the Board, taking into consideration the scope and nature of operations of the company. The Board must comprise members with an appropriate balance and diversity of skills, experience, gender and knowledge of the Company;

- Assess whether a Director is able to and has adequately carried out his duties as a Director of the company in particular where the Director concerned has multiple Board representations; and

- Determine on an annual basis, whether a Director is independent, bearing in mind the relevant provisions of the Code and all other salient factors.

In its annual review, the NC evaluates and affirms the independent status of the Directors having considered the guidelines set out in the Code. The NC has determined that the following Non-executive Directors of the Company to be independent:

Mr. Chong Weng Hoe
Mr. Ooi Seng Soon

In cases where a Director has multiple Board representations, the NC also assesses whether such Director has been adequately carrying out his duties as a Director of the Company. To address competing time commitments when Directors serve on multiple Boards, the Board had set a maximum limit of six (6) directorships that a Director may hold concurrently for listed companies. Although some of the Directors have multiple Board representations, the NC has considered and is satisfied that each of them is able to and has adequately carried out his duties as a Director of the Company for FY2017, given the sufficient time and effort taken to discharge their duties in the best interests of the Group. The considerations in assessing the capacity of Directors include expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity, geographical location of Directors, size and composition of the Board.

The Company's Constitution provides that one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office and are subject to re-election at every annual general meeting ("AGM"). All Directors are required to retire from office at least once in every three (3) years. Newly appointed Directors must also submit themselves for election at the next AGM immediately following their appointment. Shareholders approve the election and re-election of Board members at the AGM.

Description of the Re-election Process of Incumbent Directors

The NC would assess the performance of the Director in accordance with the performance criteria set by the Board; and also consider the current needs of the Board. Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the Director to the Board for its consideration and approval. Directors subject to retirement pursuant to the Company's Constitution will give his consent to seek for re-election and whom being eligible, will be recommended by the Board for re-election at the forthcoming AGM of the Company.

The NC has assessed and is satisfied that Mr. Chong Weng Hoe, Mr. Ooi Seng Soon and Mr. Lim Chye Lai, Gjan are properly qualified for re-election by virtue of their skills, experience and their contribution of guidance and time to the Board's deliberations. As such, the NC has recommended to the Board that Mr. Chong Weng Hoe, Mr. Ooi Seng Soon and Mr. Lim Chye Lai, Gjan, who are due to retire in accordance with the Company's Constitution, be re-elected at the forthcoming AGM.

Mr. Chong Weng Hoe will, upon re-election as a Director, remain as Chairman of the Board, the Remuneration Committee and Nominating Committee, and a member of the Audit Committee. He will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Mr. Ooi Seng Soon will, upon re-election as a Director, remain as Chairman of the Audit Committee, and a member of the Remuneration Committee and Nominating Committee. He will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Mr. Lim Chye Lai, Gjan will, upon re-election as a Director, remain as a member of the Audit Committee, Remuneration Committee and Nominating Committee. He will be considered non-independent for the purposes of Rule 704(7) of the Catalist Rules.

Each member of the NC has abstained from voting on any resolution and making any recommendation and/or participating in respect of matters in which he has an interest.

The Company currently does not have any alternate Directors.

Description of the Selection and Nominating Process of New Directors

The search and nomination process for new Directors commences with a review of the existing size and composition of the Board. In such reviews, the NC endeavours to ensure that the size of the Board is adequate and not unwieldy to interfere with efficiency in decision-making; and the composition of the Board is appropriately diverse with views and opinions for discussion and decision-making. The NC considers factors such as the ability of the potential candidate to contribute to discussions, deliberations and activities of the Board. In addition, the relevant experience, qualification, competence and attributes of the prospective candidates are evaluated in considering their appointment to the Board. In doing so, where necessary and appropriate, the NC may rely on its networking contacts and/or recommendations from fellow Board members to assist with identifying and short listing of candidates. Subsequent to the interview of the shortlisted candidates, NC would recommend the selected candidate to the Board for consideration and approval.

Key Information Regarding Directors

Key information of the Directors is set out in the "Board of Directors" section of this Annual Report.

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Principle 5: Board Performance

A review of the Board's performance is conducted by the NC annually. On the recommendation of the NC, the Board has adopted an internal process for evaluating the effectiveness of the Board as a whole. The Company has also put in place a process to access the performance of individual Directors as well as the Board Committees. Each Board member will be required to complete evaluation questionnaires relating to the Board, the Board Committees and individual Director, to be returned to the NC for evaluation. Based on the evaluation results, the NC will present its recommendations to the Board. The key objective of the evaluation exercise is to obtain constructive feedback from each Director to continually improve the Board's, the Board Committees' and individual Directors' performance.

The evaluation process of the overall performance of the Board was conducted without an external facilitator for FY2017.

The performance criteria set to evaluate the effectiveness of the Board as a whole, Board Committees and individual Directors includes (i) risk management; (ii) time spent on discussing the strategy of the Group; (iii) knowledge and abilities and (iv) ability to manage corporate crisis, if any and etc. The Board has met the performance objectives for FY2017.

Principle 6: Access to Information

Management recognises the importance of ensuring the flow of information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. All Board and Board Committees papers are distributed to Directors in advance to allow sufficient time for Directors to prepare for the meetings.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations.

The Company Secretaries are responsible for, among other things, ensuring that Board procedures are observed and that the Company's Constitution, relevant rules and regulations, including requirements of the Companies Act and Catalist Rules, are complied with.

The Company Secretaries and/or their representative attend and prepare minutes for all Board meetings. As secretary for all Board Committees, the Company Secretaries assist in ensuring coordination and liaison between the Board, the Board Committees and management. The Company Secretaries assist the Chairman of the Board, the Chairman of Board Committees and management in the development of the agendas for the various Board and Board Committees meetings. The appointment and the removal of the Company Secretaries are subject to the Board's approval. The Directors, whether collectively or individually, may, at the expense of the Company, seek and obtain independent professional advice necessary to discharge their duties effectively.

The Directors have separate and independent access to management and the Company Secretaries.

REMUNERATION MATTERS

Principle 7: Policy for Developing Remuneration Policies

The RC is responsible for ensuring a formal and transparent procedure for developing policies on executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No member of the RC is involved in deliberations and voting on any resolution in respect of any remuneration, compensation, options, or any form of benefits to be granted to him or that of employees related to him.

The members of the RC carried out their duties in accordance with the terms of reference which include the following key terms:

- Review and recommend to the Board for endorsement, a framework of remuneration for the Board and key management personnel. The framework covers all aspect of remuneration, including but not limited to, Director's fees, salaries, allowances, bonuses, options and benefits in kind;

- Review and recommend to the Board, the specific remuneration packages for each Director as well as for the key management personnel; and

- Consult professional consultancy firms where necessary in determining remuneration packages.

Principle 8: Level and Mix of Remuneration

The remuneration of the Company's Directors and key management personnel has been formulated to attract, retain and motivate these executives to run the Company successfully. The level and structure of remuneration are aligned with the long-term interests and risk policies of the Company.

The Company adopts a remuneration policy for employees comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Company and the individual. The remuneration policy is aligned with the interests of the shareholders and promotes long-term success of the Group. No remuneration consultants were engaged by the Company in FY2017.

The RC reviews the service contracts of the Company's Executive Directors and key management personnel. The compensation commitments in service contracts are reviewed periodically or as and when necessary. The Company has entered into a service agreement with each of the Executive Directors, Dr. Heah Sieu Min and Dr. Chia Kok Hoong on 30 September 2016 pursuant to the listing of the Company. Under the service agreements, each of the Executive Directors' employment will continue for a term of three (3) years from the effective date of 30 September 2016 ("Term"), unless otherwise terminated by not less than six (6) months' notice in writing by either party. The service agreements do not provide benefits upon termination of employment. Upon the expiry of the Term, the employment may be renewed on such terms and conditions as may be agreed between the Company and each Executive Director. For further details, please refer to pages 138 to 139 of the Company's offer document ("Offer Document") dated 25 October 2016.

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Principle 9: Disclosure on Remuneration

Remuneration of Directors and Key Management Personnel

Although the Code recommends full disclosure in aggregate to the nearest thousand dollars of the total remuneration paid to each individual Director and the CEO on a named basis, the Board is of the opinion that it is not in the best interests of the Company to disclose the exact details of their remuneration due to the competitiveness of the industry for key talent.

Remuneration paid/payable to Executive Directors and key management personnel are determined by the Board after considering the performance of the individual and the Company against comparable organisations. The total remuneration package of Executive Directors and key management personnel comprises a fixed cash component, annual performance incentive and long-term incentive. The annual fixed cash component comprises the annual basic salary, statutory employer's contributions to the Central Provident Fund ("CPF") and other fixed allowances. The annual performance incentive is tied to the performance of the Group and respective key performance indicators allocated to the individual employee. To align the interests of the Directors and key management personnel with the interests of shareholders, the Group has also adopted the HCSS Performance Share Plan ("HCSS PSP") and HCSS Employee Share Option Scheme ("HCSS ESOS") (collectively the "Share Plans"). The Executive Directors and key management personnel had met their respective key performance indicators in respect of FY2017.

Directors' Remuneration

The breakdown of the remuneration of the Directors of the Company in bands of $250,000, is set out below:

Directors	**Fee %**	**Salary**[1] **%**	**Bonus**[1] **%**	**Other Benefits**[2] **%**	**Total %**
$250,001 and $500,000					
Dr. Heah Sieu Min	–	81.0	17.0	2.0	100.0
Dr. Chia Kok Hoong	–	85.0	13.0	2.0	100.0
Below $250,000					
Mr. Chong Weng Hoe	100.0	–	–	–	100.0
Mr. Ooi Seng Soon	100.0	–	–	–	100.0
Mr. Lim Chye Lai, Gjan	100.0	–	–	–	100.0

Notes:

(1) Salary and bonus include employer's contributions to CPF.

(2) Other benefits refer to benefits-in-kind such as medical conference allowances etc. made available to Directors as appropriate.

Top 3 Key Management Personnel's Remuneration

The Company only has three (3) top key management personnel. The breakdown of the remuneration of the top three (3) key management personnel of the Company (who are not Directors or CEO) in bands of S$250,000 is as follows:–

Key Management Personnel	Fee %	Salary[(1)] %	Bonus[(1)] %	Other Benefits %	Total %
Below $250,000					
Ms. Ong Soo Ling, Sophia	–	74.0	26.0	–	100.0
Ms. Ouyang Yuxia, Connie	–	64.0	36.0	–	100.0
Ms. Cai Ting Ting	–	73.0	27.0	–	100.0

Notes:

(1) Salary and bonus include employer's contributions to CPF.

The aggregate total remuneration for the top three (3) key management personnel (who are not Directors or CEO) is approximately S$436,000 for FY2017.

There were no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 during FY2017.

The Company did not grant any termination, retirement and post-employment benefits to the Directors, the CEO and the rest of the key management personnel during FY2017.

Directors' Fees

The fees paid/payable to Independent Directors take into account factors such as effort and time spent, and responsibilities of these Directors. The Directors' fees are pro-rated according to their appointment and retirement date for the year, where applicable. No Director decides his own fees.

The RC also ensures that the remuneration of the Non-executive Directors is appropriate to their level of contribution taking into account factors such as effort and time spent, and their responsibilities. Non-executive Directors receive a basic fee for their services and are eligible to participate in the Share Plans. The RC ensures that the Non-executive Directors should not be over-compensated to the extent that their independence may be compromised.

In this regard, the Company will be seeking shareholders' approval at the AGM of the Company, for the payment of directors' fees proposed for FY2017 amounting to S$66,000.

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Share Plans

The Company has in place two share plans namely the HCSS PSP and HCSS ESOS.

HCSS PSP

Summary of the HCSS PSP	HCSS PSP is a compensation scheme that promotes higher performance goals and recognises exceptional achievement. HCSS PSP is based on the principle of pay-for-performance and is designed to enable the Company to reward, retain and motivate employees of the Group to achieve superior performance. The purpose of the HCSS PSP is to give the Company greater flexibility to align the interest of employees of the Group, especially key executives with the interest of shareholders.
Participants of the HCSS PSP	HCSS PSP allows for participation by full-time employees of the Group (including the Executive Directors) and Non-executive Directors (including Independent Directors), controlling shareholders and their associates provided they have met the eligibility criteria.
Administration of the HCSS PSP	The HCSS PSP shall be managed by the members of the HCSS PSP Administration Committee, which comprises the Nominating Committee and Remuneration Committee of the Company ("Administration Committee"), which has the absolute discretion to determine persons who will be eligible to participate in the HCSS PSP.
Awards Entitlement	Awards represent the right of a participant to receive fully-paid shares free of charge ("Awards").
Size of HCSS PSP	The aggregate number of shares which may be offered under the Share Plans should not exceed 15% of the Company's total issued capital (excluding treasury shares) on the date preceding the date of the relevant grant.
Vesting Period	No minimum vesting period is prescribed under the HCSS PSP for Awards and the length of the vesting period in respect of each Award will be determined on a case-by-case basis by the Administration Committee.

Details of Grants under the HCSS PSP

Details of the Awards granted in FY2017 are as follows:

Date of Grant	**Number of Shares which are the subject of the Awards granted as at 1 June 2016**	**Number of Shares which are the subject of the Awards granted during FY2017**	**Number of Shares which are the subject of the Awards vested during FY2017**	**Number of Shares which are the subject of the Awards granted as at 31 May 2017**	**No of Holder**
11 January 2017	–	16,100	16,100	–	1

There were no Awards granted under the HCSS PSP to (i) Directors of the Company; (ii) participants who are controlling shareholders of the Company and their associates; and (iii) participants other than Directors of the Company and controlling shareholders of the Company and their associates, who receive Awards comprising shares representing five per cent (5.0%) or more of the aggregate of the total number of new shares available under the HCSS PSP and the total number of existing Shares purchased for delivery of Awards released under the HCSS PSP. The Company does not have a parent company.

The number of shares which are the subject of Awards granted during FY2017 to each holder is 16,100. The closing market price of the Company's shares on 11 January 2017 was S$0.605 per share.

The vesting and release of the Awards granted to eligible participants under the HCSS PSP are based on pre-determined performance goals and conditional on the satisfactory completion of time-based service conditions.

Further details on the HCSS PSP are set out in the Offer Document.

HCSS ESOS

Summary of the HCSS ESOS	HCSS ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. HCSS ESOS is designed to primarily reward and retain employees whose services are vital to the Company's success.
Participants of the HCSS ESOS	HCSS ESOS allows for participation by confirmed employees of the Group (including the Executive Directors) and Non-executive Directors (including Independent Directors), controlling shareholders and their associates provided they have met the eligibility criteria.
Administration of HCSS ESOS	The HCSS ESOS shall be administered by the members of the HCSS ESOS Administration Committee, which comprises the Nominating Committee and Remuneration Committee of the Company, which shall have the powers to determine, *inter alia*, the following:– (a) persons to be granted HCSS ESOS; (b) number of HCSS ESOS to be offered; and (c) recommendations for modification to the HCSS ESOS.
Size of HCSS ESOS	The aggregate number of shares which may be offered under the Share Plans should not exceed 15.0% of the Company's total issued capital (excluding treasury shares) on the date preceding the date of the relevant grant,
Vesting Period	The Administration Committee shall decide, in its absolute discretion, the Vesting Period(s). It may amend, or waive the Vesting Period(s).

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Exercise Price of Options under the HCSS ESOS	The Exercise Price for each share shall be determined by the Administration Committee, in its absolute discretion, on the date of grant, at:– (a) a price equal to the market price; or (b) a price which is set at a discount to the market price, provided that: (i) the maximum discount shall not exceed 20.0% of the market price (or such other percentage or amount as may be determined by the Administration Committee and permitted by the SGX-ST); and (ii) the shareholders in general meeting shall have authorized, in a separate resolution, the making of offers and grants of Options under the HCSS ESOS at a discount not exceeding the maximum discount as aforesaid.

The aggregate number of shares which may be offered under the Share Plans should not exceed 15.0% of the Company's total issued capital (excluding treasury shares) on the date preceding the date of the relevant grant. The Share Plans were adopted on 28 September 2016 for a period of ten (10) years and will expire on 27 September 2026.

There were no options granted under the HCSS ESOS since the adoption of the HCSS ESOS on 28 September 2016 to 31 May 2017. Further details on the HCSS ESOS are set out in the Company's Offer Document dated 25 October 2016.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Management provides the Board with management accounts, operations reviews and related explanations together with the financial statements on a half-yearly basis and as and when the Board may require from time to time. The AC reviews the half-yearly and full year results announcements and annual financial statements and recommends to the Board for approval.

The Board reviews and approves the half-yearly and full year results announcements and annual financial statements before its releases to the shareholders, within the time frame stipulated under the Catalist Rules. In presenting the half-yearly and full year results announcements and annual financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's performance, position and prospects. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

The Board also provides negative assurance confirmation to shareholders on the integrity of the half-yearly results announcements.

Principle 11: Risk Management and Internal Controls

Management is responsible to the Board for the design, implementation, and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk tolerance and risk policies.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, AC, and the Board, the Board with the concurrence of the AC and internal auditors, is of the opinion that the Group's internal controls addressing financial, operational and compliance risks, and information technology controls and risk management systems were adequate and effective as at 31 May 2017. This is in turn supported by assurance from the CEO and the Chief Financial Officer ("CFO") that for the past twelve (12) months, (i) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) the Group's risk management and internal control systems are effective.

The Board acknowledges that it is responsible for maintaining a sound system of internal control and risk management, but recognises that no cost effective internal control system and risk management will preclude all errors and irregularities. Internal controls and risk management can provide only reasonable and not absolute assurance against material misstatement, losses, human errors, fraud or other irregularities.

Principle 12: Audit Committee

All members of the AC are Non-executive Directors, and majority of its members, including its Chairman are independent who do not have any management and business relationships with the Company or any substantial shareholder of the Company. None of the AC members were previous partners or Directors of the Company's external audit firm within the last twelve (12) months and none of the AC members hold any financial interest in the external audit firm. The AC is guided by the terms of reference approved by the Board. The principal duties, responsibilities and activities of the AC are to:

- assist the Board of Directors in the discharge of its responsibilities on financial reporting matters;

- review the audit plans, scope of work, evaluation of the system of internal accounting controls, management letter and management's response, and results complied by the Group's internal and external auditors;

- review the half-yearly and full year results announcements and annual financial statements before submission to the Board of Directors for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant judgements resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory or regulatory requirements;

- review the effectiveness and adequacy of the Group's internal controls and procedures, including accounting, financial controls and procedures and ensure coordination between the Group's internal and external auditors, and management; reviewing the assistance given by the management to the auditors, and discuss problems and concern, if any, arising from the audit, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);

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- review the scope and results of the external audit, and the independence and objectivity of the external auditors;

- review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

- make recommendation to the Board of Directors on the proposals to shareholders on the re-appointment of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

- review significant financial reporting issues and judgements with the CFO and the external auditors so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board of Directors;

- review and report to the Board of Directors at least annually the adequacy and effectiveness of the Group's material internal controls with the CFO and the internal and external auditors, including financial, operation, compliance and information technology controls via reviews carried out by the internal auditors;

- review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of Catalist Rules (if any);

- review any potential conflicts of interest;

- undertake other reviews and projects as may be requested by the Board and report to the Board of Directors the findings from time to time on matters arising and requiring the attention of the Audit Committee;

- review and establish procedures for receipt, retention and treatment of complaints received by the Group, inter alia, criminal offences involving the Group or the employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and

- generally to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

Besides scheduled meetings, the internal and external auditors as well as the AC Chairman have direct and open access channels of communication. For FY2017, the AC has met once with the internal and external auditors in the absence of the management.

During the course of review of the financial statements for FY2017, the AC discussed with management and the external auditors on the significant issues that were brought to AC's attention. The material issues which the external auditors assessed to be most significant in its audit of the financial statements for the year under review have been highlighted in the key audit matters section of Independent Auditor's Report.

The AC reviewed the work performed by the management and made enquiries relevant to the key audit matters. In addition, the AC also reviewed and discussed the findings presented and related work performed by the external auditors. The AC was satisfied that these material issues have been properly addressed and appropriately adopted and disclosed in the financial statements.

The AC reviews the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them. The total fees paid in respect of audit, non-audit and IPO-related fees to the external auditors, BDO LLP for FY2017 are as stated below.

External Auditors Fees for FY2017	S$	% of total fees
Total audit fees	124,000	51.0
Total non-audit fees	–	–
Total IPO-related fees	120,000	49.0
Total fees paid	**244,000**	**100.0**

During FY2017, the Group had paid S$120,000 to the external auditors for their role as reporting accountants in relation to the listing of the Company. The amount charged to profit or loss account amounted to S$80,000 and the amount charged to share issue expenses under share capital amounted to S$40,000. There were no non-audit fees paid to the external auditors for FY2017.

The Company and the Group have complied with Catalist Rules 712 and Rule 715 in the appointment of its auditors. The AC recommends to the Board the re-appointment of Messrs BDO LLP as the external auditors of the Company at the forthcoming AGM.

The AC also conducts reviews of all interested person transactions ("IPTs") to ensure that all IPTs of the Company are properly documented. Accordingly, the AC is satisfied that all material IPTs for FY2017 which warrant disclosure or further discussion have been properly reviewed and announced, where applicable; and there are no improprieties in this area.

The AC is kept abreast by the management, Company Secretaries and the external auditors of changes to accounting standards, Catalist Rules and other regulations which could have an impact on the Group's business and financial statements.

The Company has adopted a whistleblowing policy since 2016 which sets the framework to encourage the reporting in good faith of serious concerns or escalate serious matters on a confidential basis without fear of reprisal, dismissal, or discriminatory treatment. The whistleblowing policy provides procedures to validate concerns and for investigation to be carried out independently. The whistleblowing policy has been circulated to all employees of the Group and is available on the Company's website.

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Principle 13: Internal Audit

The Board recognises that it has responsibility to maintain a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. Periodic review and testing of the system of internal controls is an important exercise to ensure that the control mechanism in place is working in the intended manner for which it is designed for. While the importance of working internal controls cannot be discounted, the Board also recognised that the size of the Group may not warrant and it will not be a cost-effective or efficient solution to have an internal audit function and team within the organisational setup.

Accordingly, the Company has outsourced its internal audit function to Nexia TS Risk Advisory Pte. Ltd. The internal auditor carries out its function in accordance to the standards set by the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC ensures that management provides good support to the internal auditors and provides them with access to documents, records, properties, and personnel when requested in order for the internal auditors to carry out their function accordingly.

The internal auditor reports directly to the AC Chairman for review and administratively to the CEO and CFO. Key audit findings and recommendations are tabled for discussion at the AC meetings, and the timeliness and progress of implementing the corrective or improvement actions are measured and reported.

The AC will review the adequacy and effectiveness of the internal audit function on an annual basis.

The AC has reviewed the adequacy and effectiveness of the internal audit function and is satisfied that it is adequately resourced and has appropriate standing within the Company in FY2017.

SHAREHOLDER RIGHTS

Principle 14: Shareholder Rights

To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis. The Company recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in the Company. All shareholders are entitled to attend the AGM and are accorded the opportunity to participate effectively in the AGM. The Company's Constitution allows a shareholder to appoint up to two (2) proxies to attend and vote in the shareholders' place at the AGM. Indirect investors who hold the Company's shares through a nominee company or custodian bank or through CPF agent bank may attend and vote at each AGM. Pursuant to Section 181(1C) of the Companies Act, a member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Communication with Shareholders

The Group is committed to maintaining high standards of corporate disclosure and transparency. The Group values dialogue sessions with its shareholders. The Group believes in regular, effective, and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns.

Material information is disclosed in an adequate, accurate, and timely manner via SGXNET, press release, and corporate website. In the event that unpublished material information is inadvertently disclosed to any selected group in the course of the Group's interactions with the investing community, a media release or announcement will be released to the public via SGXNET.

The Company does not have a fixed dividend policy. However, the Directors intend to recommend and distribute dividends of not less than 70.0% of the Group's profit after tax to Shareholders for FY2017, FY2018 and FY2019 as stated in the Offer Document. The Company may declare an annual dividend with the approval of the shareholders in a general meeting, but the amount of such dividend shall not exceed the amount recommended by the Board. The Board may also declare an interim dividend without the approval of the shareholders. For FY2017, the Company had paid an interim dividend of 1.8 Singapore cents and is recommending a final dividend of 0.7 Singapore cents to be approved at the forthcoming Annual General Meeting.

The Company's website has an investor page, which includes all the announcements made via SGXNET for easy access. The Company currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. The Company will consider the appointment of a professional investor relations officer to manage the function should the need arises.

Principle 16: Conduct of Shareholder Meetings

The Board welcomes the view of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis. The Board encourages active shareholder participation in shareholders' general meetings. It believes that general meetings are an opportune forum and suitable platform for shareholders and the Board and management of the Company to engage in active exchange of ideas.

The Company sends its Annual Report and Notice of AGM to all shareholders. The Notice will also be published in local newspapers and will be made available on SGXNET and the Company's website.

The Company provides for separate resolutions at general meetings on each distinct issue. All the resolutions at the general meetings are single item resolutions. Detailed information on each item in the AGM agenda is explained in the explanatory notes to the Notice of AGM in the Annual Report.

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At its AGM, shareholders have the opportunity to raise questions to the Board and senior management, and clarify with them any issues they may have relating to the resolutions to be passed. Board members and senior management are required to attend shareholders' meetings and are on hand to address any questions raised. The Company's external auditors are also present to address shareholders' queries on the conduct of audit and the preparation and content of the auditors' report, where necessary and appropriate. All minutes of general meetings, including the questions raised by shareholders in relation to the meeting agenda and the responses from the Board and/or management, will be made available to shareholders upon their request.

The Company Secretaries or their representatives prepare minutes of shareholders' meetings which captures the essence of the comments and queries from shareholders and responses to them from the Board and management.

The Company will conduct a poll voting for all the proposed resolutions at the AGM for greater transparency in the voting process. The total number of votes cast for or against the resolutions will also be announced after the meeting via SGXNET.

DEALINGS IN SECURITIES

Catalist Rule 1204(19)

In line with Catalist Rule 1204(19) of the Catalist Listing Manual regarding the dealings in securities, the Company issues a half-yearly circular to its directors, officers and employees reminding them of the restrictions on dealings in listed securities of the Group during the period commencing one (1) month before announcement of the Company's half year and full year results as the case may be, and ending on the date of the announcement of the relevant results. Directors, officers and employees are also directed to refrain from dealing in listed securities of the Group at any time they are in possession of unpublished price sensitive information, or on short-term considerations.

MATERIAL CONTRACTS

Save for those disclosed under the section "Interested Person Transactions", there were no material contracts entered into by the Company and its subsidiaries involving the interests of its CEO, Directors or controlling shareholders which are either still subsisting at the end of FY2017 or if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS ("IPTs")

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC, and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

The Company does not have any prior shareholders' mandate pursuant to Rule 920. There were IPTs conducted during the financial year with the details of these IPTs set out as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Chee & Heah Surgical Associates Pte. Ltd.(1)	S$486,000	–
CH Hillford Investments Pte. Ltd.(2)	S$196,000	–
Farrer Park Holdings Pte. Ltd.(3)	S$180,000	–

Notes:

(1) Rental of approximately half of the entire clinic space at 3 Mount Elizabeth #12-06 Mount Elizabeth Hospital Singapore 228510 from Chee & Heah Surgical Associates Pte. Ltd., which is 50.0% owned by Dr. Heah Sieu Min ("HSM"), the Executive Director and Chief Executive Officer of the Company. Please refer to announcement made on 20 January 2017.

(2) Lease of 182 Jalan Jurong Kechil #01-66 The Hillford Singapore 596152 from CH Hillford Investments Pte. Ltd., which is 50.0% owned by HSM and 50.0% owned by Dr. Chia Kok Hoong ("CKH"), the Executive Directors of the Company. Please refer to announcement made on 8 December 2016 and 13 December 2016.

(3) Rental of entire clinic space at 1 Farrer Park Station Road #13-13 Connexion Singapore 217562 from Farrer Park Holdings Pte. Ltd., which is 100.0% owned by CKH, the Executive Director of the Company. Please refer to announcement made on 20 January 2017.

NON-SPONSOR FEES

For FY2017, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. a non-sponsor fee of S$943,000 for acting as the issue manager, sponsor and placement agent pursuant to the Company's IPO.

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FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

USE OF PROCEEDS

The Company refers to the net cash proceeds amounting to S$6.18 million (excluding listing expenses of approximately S$1.68 million) raised from the IPO on the Catalist Board of SGX-ST on 3 November 2016. As at the date of this report, the status on the use of the IPO net proceeds is as follows:

Use of IPO net proceeds	Amount allocated (S$'000)	Amount allocated after re-allocation (S$'000)	Amount utilised (S$'000)	Balance (S$'000)
Expand business operations locally and regionally[1]	2,800	4,000	(3,159)	841
Expand surgical facilities	1,200	1,200	–	1,200
Working capital	2,180	980	–	980
Total	6,180	6,180	(3,159)	3,021

Note:

(1) The amount utilised was for the following:–
- (a) investment in HSN of S$800,000 as announced on 3 January 2017;
- (b) acquisition of Julian Ong Endoscopy & Surgery Pte. Ltd. of S$1,569,100 as announced on 1 February 2017; and
- (c) acquisition of Medical L & C Services Pte. Ltd. of S$790,160 as announced on 1 June 2017.

The above utilisations are in accordance with the intended use as stated in the change of use and re-allocation of the proceeds from the IPO as stated in the announcement dated 1 June 2017.

DIRECTORS' **STATEMENT**

The Directors of HC Surgical Specialists Limited (formerly known as HC Endoscopy & Surgery Pte. Ltd.) (the "Company") present their statement to the members together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 May 2017 and the statement of financial position of the Company as at 31 May 2017.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2017, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement are as follows:

Mr. Chong Weng Hoe	(Non-executive Chairman and Independent Director) (Appointed on 28 September 2016)
Dr. Heah Sieu Min	(Executive Director and Chief Executive Officer)
Dr. Chia Kok Hoong	(Executive Director and Medical Director)
Mr. Lim Chye Lai, Gjan	(Non-Independent Non-executive Director) (Appointed on 28 September 2016)
Mr. Ooi Seng Soon	(Independent Non-executive Director) (Appointed on 28 September 2016)

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

	Shareholdings registered in the name of Directors		Shareholdings in which Directors are deemed to have an interest	
	Balance at 1 June 2016 or later date of appointment	Balance at 31 May 2017	Balance at 1 June 2016 or later date of appointment	Balance at 31 May 2017
The Company		Number of ordinary shares		
Dr. Heah Sieu Min	6,193	**63,988,980**	–	**–**
Dr. Chia Kok Hoong	3,637	**34,753,440**	–	**–**
Mr. Lim Chye Lai, Gjan	–	**220,000**	–	**30,000**

By virtue of Section 7 of the Act, Dr. Heah Sieu Min and Dr. Chia Kok Hoong are deemed to have interests in the shares of all subsidiary corporations of the Company at the beginning and at the end of the financial year.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the register of directors' shareholdings, the directors' interest as at 21 June 2017 in the shares of the Company have not changed from those disclosed as at 31 May 2017.

5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

Employee Share Option Scheme

The Company has implemented an Employee Share Option Scheme known as the HCSS Employee Share Option Scheme ("HCSS ESOS"). The HCSS ESOS was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 28 September 2016. No options have been granted pursuant to the HCSS ESOS as at the date of this report.

5. Share options (Continued)

Performance Share Plan

The Company has implemented a Performance Share Plan known as the HCSS Performance Share Plan ("HCSS PSP"). The HCSS PSP was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 28 September 2016.

During the financial year, 16,100 shares were granted to an employee pursuant to the HCSS PSP.

6. Audit committee

The Audit Committee of the Company is chaired by Mr. Ooi Seng Soon, an Independent Director, and includes Mr. Chong Weng Hoe, a Non-executive Chairman and Independent Director and Mr. Lim Chye Lai, Gjan, a Non-Independent Non-executive Director. The Audit Committee has met two (2) times since the last Annual General Meeting and has carried out its functions in accordance with section 201B(5) of the Act, including reviewing the following, where relevant, with the Executive Directors and external auditors of the Company:

(i) assisting the Board of Directors in the discharge of its responsibilities on financial reporting matters;

(ii) reviewing the audit plans, scope of work, evaluation of the system of internal accounting controls, management letter and management's response, and results complied by the Group's internal and external auditors;

(iii) reviewing the half-yearly and full year results announcements and annual financial statements before submission to the Board of Directors for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant judgements resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory or regulatory requirements;

(iv) reviewing the effectiveness and adequacy of the Group's internal control and procedures, including accounting, financial controls and procedures and ensure coordination between the Group's internal and external auditors, and management; reviewing the assistance given by the management to the auditors, and discuss problems and concern, if any, arising from the audit, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);

(v) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;

(vi) reviewing and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

DIRECTORS' STATEMENT

6. **Audit committee** (Continued)

(vii) making recommendation to the Board of Directors on the proposals to shareholders on the re-appointment of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(viii) reviewing significant financial reporting issues and judgements with the Chief Financial Officer and the external auditors so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board of Directors;

(ix) reviewing and report to the Board of Directors at least annually the adequacy and effectiveness of the Group's material internal controls with the Chief Financial Officer and the internal and external auditors, including financial, operation, compliance and information technology controls via reviews carried out by the internal auditors;

(x) reviewing and approve transactions falling within the scope of Chapter 9 and Chapter 10 of Catalist Rules (if any);

(xi) reviewing any potential conflicts of interest;

(xii) undertaking other reviews and projects as may be requested by the Board and report to the Board of Directors the findings from time to time on matters arising and requiring the attention of the Audit Committee;

(xiii) reviewing and establish procedures for receipt, retention and treatment of complaints received by the Group, inter alia, criminal offences involving the Group or the employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and

(xiv) generally to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The Audit Committee confirmed that it has undertaken a review of all non-audit services provided by the external auditors to the Group and is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any Director and Executive Officer of the Group to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

7. Independent auditors

The independent auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

Dr. Heah Sieu Min
Director

Dr. Chia Kok Hoong
Director

Singapore
31 August 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HC SURGICAL SPECIALISTS LIMITED (FORMERLY KNOWN AS HC ENDOSCOPY & SURGERY PTE. LTD.)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of HC Surgical Specialists Limited (formerly known as HC Endoscopy & Surgery Pte. Ltd.) (the "Company") and its subsidiaries (the "Group") as set out on pages 54 to 118, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 May 2017;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 May 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER / **AUDIT RESPONSE**

1 Business combinations related to acquisition of subsidiaries and the recognition and subsequent measurement of goodwill

Key audit matter

During the financial year ended 31 May 2017, the Company acquired 100%, 51% and 51% equity interest in CTK Tan Surgery Pte. Ltd. ("CTK"), LAI BEC Pte. Ltd. ("LBPL") and Julian Ong Endoscopy & Surgery Pte. Ltd. ("JOES") respectively for a total purchase consideration of $3,354,000, thereby obtaining control of these entities.

In accounting for these acquisitions, the management, assisted by its external valuer, performed valuations to determine the fair values of CTK, LBPL and JOES's identifiable assets acquired and liabilities assumed at their respective acquisition dates. The resulting goodwill following these acquisitions amounted to $3,388,000. Under FRS 36 *Impairment of Assets*, the Group is required to test goodwill for impairment annually, or more frequently if there are indicators that goodwill may be impaired.

We have determined the accounting for the acquisitions of CTK, LBPL and JOES, and the recognition and subsequent measurement of the resultant goodwill to be a key audit matter as the acquisitions are a material transactions during the financial year. Significant judgements and estimates were also involved with regard to the valuation process and goodwill impairment assessment, particularly on the key assumptions on future growth rates and discount rates used in the discounted cash flow forecasts prepared by the management.

Refer to Notes 3, 5 and 6 to the financial statements.

Audit response

We performed the following audit procedures, amongst others:

- Assessed the management's judgement on the acquisitions in determining that the Group has control over the entities.
- Assessed the independence and competency of the external valuer which included considering their experiences and qualification in performing valuations for such business combinations.
- Discussed with the external valuer on the valuation methodologies used and the results of their work.
- Engaged our internal valuation specialists to evaluate the valuation methodologies used and the reasonableness of the assumptions used.
- Assessed the adequacy of the disclosures in the financial statements relating to the business combinations.

Furthermore, we performed the following additional procedures on the goodwill impairment, amongst others:

- Evaluated the key business performance assumptions made by the management, including comparing the revenue growth rate against the historical performance of the respective entities.
- Performed sensitivity analysis around the key assumptions, including the revenue growth rate and discount rate, used in cash flow forecasts.
- Assessed the adequacy of the disclosure in the financial statements with respect to the goodwill impairment.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HC SURGICAL SPECIALISTS LIMITED (FORMERLY KNOWN AS HC ENDOSCOPY & SURGERY PTE. LTD.)

KEY AUDIT MATTER	AUDIT RESPONSE
2 Impairment assessment of investments in subsidiaries	
As at 31 May 2017, the carrying amount of the Company's investments in subsidiaries amounted to $4,316,000. The subsidiaries comprise a network of clinics located throughout Singapore and are primarily engaged in providing medical services such as endoscopic procedures, including gastroscopies and colonoscopies, and general surgery services with a focus on colorectal procedures. During the financial year, arising from indicators of impairment in certain subsidiaries, the management carried out an impairment assessment to determine whether an impairment loss should be recognised in the financial statements. Management determined the recoverable amounts based on the value-in-use calculations by estimating the expected discounted future cash flows to be derived from the investments in those subsidiaries. We focused on the impairment assessment of the subsidiaries as a key audit matter owing to the significant management judgements involved in the key assumptions used in estimating the expected discounted future cash flows such as the revenue growth rates and the discount rates. Having made significant new acquisitions during the financial year, the Company's investments in subsidiaries have also become material to the Company's statement of financial position as at 31 May 2017. Refer to Notes 3.1 and 6 to the financial statements.	We performed the following audit procedures, amongst others: • Discussed with management and evaluated the key assumptions made by management, including comparing the revenue growth rate against historical performance of the respective entities. • Performed sensitivity analysis around the key assumptions, including the revenue growth rate, discount rate and terminal growth rate, used in cash flow forecasts. • Assessed the adequacy of the disclosure in the financial statements with respect to the impairment assessment of investments in subsidiaries.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HC SURGICAL SPECIALISTS LIMITED (FORMERLY KNOWN AS HC ENDOSCOPY & SURGERY PTE. LTD.)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company, and by those subsidiary corporations in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Leong Hon Mun Peter.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
31 August 2017

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 MAY 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
ASSETS					
Non-current assets					
Plant and equipment	4	**1,440**	523	**41**	9
Intangible assets	5	**3,421**	–	**3**	–
Investments in subsidiaries	6	**–**	–	**4,316**	976
Investment in associate	7	**–**	–	**–**	159
Available-for-sale financial assets	8	**100**	–	**100**	–
Deferred tax assets	9	**2**	–	**–**	–
		4,963	523	**4,460**	1,144
Current assets					
Inventories	10	**125**	47	**–**	–
Trade and other receivables	11	**1,544**	745	**4,165**	735
Prepayments		**181**	30	**74**	9
Cash and cash equivalents	12	**8,757**	5,834	**6,308**	4,114
		10,607	6,656	**10,547**	4,858
Total assets		**15,570**	7,179	**15,007**	6,002
EQUITY AND LIABILITIES					
Equity					
Share capital	13	**13,014**	10	**13,014**	10
Merger reserve	14	**(815)**	(815)	**–**	–
Retained earnings/ (Accumulated losses)	15	**1,631**	2,957	**1,489**	(505)
Equity attributable to owners of the parent		**13,830**	2,152	**14,503**	(495)
Non-controlling interests		**95**	46	**–**	–
Total equity		**13,925**	2,198	**14,503**	(495)
Non-current liabilities					
Derivative financial instruments	16	**36**	–	**36**	–
Provisions	17	**50**	–	**13**	–
		86	–	**49**	–
Current liabilities					
Trade and other payables	18	**1,238**	2,358	**455**	4,419
Redeemable convertible loans	19	**–**	699	**–**	699
Derivative financial instruments	16	**–**	1,379	**–**	1,379
Current income tax payable		**321**	545	**–**	–
		1,559	4,981	**455**	6,497
Total liabilities		**1,645**	4,981	**504**	6,497
Total equity and liabilities		**15,570**	7,179	**15,007**	6,002

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

	Note	2017 $'000	2016 $'000
Revenue	20	**9,475**	7,907
Other item of income			
Other income	21	**210**	71
Fair value gain on derivative financial instruments	16	**45**	366
Items of expense			
Changes in inventories		**78**	32
Inventories and consumables used		**(1,145)**	(1,068)
Employee benefits expense	22	**(3,327)**	(1,610)
Depreciation and amortisation expenses	23	**(199)**	(210)
Other expenses		**(3,294)**	(1,570)
Finance costs	24	**(306)**	(444)
Share of results of an associate, net of tax		**–**	(130)
Profit before income tax	25	**1,537**	3,344
Income tax expense	26	**(273)**	(576)
Profit for the financial year, representing total comprehensive income for the financial year		**1,264**	2,768
Profit and total comprehensive income attributable to:			
Owners of the parent		**1,308**	2,738
Non-controlling interests		**(44)**	30
		1,264	2,768
Earnings per share (cents)			
– Basic	27	**1.03**	2.77
– Diluted	27	**1.03**	2.65

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

	Note	Share capital $'000	Merger reserve $'000	Retained earnings $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 June 2016		10	(815)	2,957	2,152	46	2,198
Profit for the financial year		–	–	1,308	1,308	(44)	1,264
Total comprehensive income for the financial year		–	–	1,308	1,308	(44)	1,264
Contributions by and distributions to owners							
Issue of shares	13	13,736	–	–	13,736	–	13,736
Share issue expenses	13	(732)	–	–	(732)	–	(732)
Dividends	28	–	–	(2,634)	(2,634)	–	(2,634)
Total transactions with owners		13,004	–	(2,634)	10,370	–	10,370
Transactions with non-controlling interests							
Subscriptions of shares by non-controlling interest in a subsidiary		–	–	–	–	98	98
Dividends paid to non-controlling interest		–	–	–	–	(5)	(5)
Total transactions with non-controlling interests		–	–	–	–	93	93
Balance at 31 May 2017		**13,014**	**(815)**	**1,631**	**13,830**	**95**	**13,925**

	Note	Share capital $'000	Merger reserve $'000	Retained earnings $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 June 2015		110	–	291	401	25	426
Profit for the financial year		–	–	2,738	2,738	30	2,768
Total comprehensive income for the financial year		–	–	2,738	2,738	30	2,768
Contributions by and distributions to owners							
Adjustment pursuant to restructuring exercise		(110)	(815)	–	(925)	–	(925)
Issue of shares	13	10	–	–	10	–	10
Dividends	28	–	–	(72)	(72)	–	(72)
Total transactions with owners		(100)	(815)	(72)	(987)	–	(987)
Transactions with non-controlling interests							
Subscriptions of shares by non-controlling interest in a newly incorporated subsidiary		–	–	–	–	49	49
Dividends paid to non-controlling interest		–	–	–	–	(58)	(58)
Total transactions with non-controlling interests		–	–	–	–	(9)	(9)
Balance at 31 May 2016		10	(815)	2,957	2,152	46	2,198

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

	2017 $'000	2016 $'000
Operating activities		
Profit before income tax	**1,537**	3,344
Adjustments for:		
Allowance for impairment loss on doubtful third parties trade receivables	**37**	–
Allowance for impairment loss on doubtful third parties trade receivables written back	**(5)**	–
Amortisation of intangible assets	**9**	–
Bad third parties trade receivables written off	**14**	22
Depreciation of plant and equipment	**190**	210
Interest income	**(59)**	(8)
Interest expense	**306**	444
Fair value gain on derivative financial instruments	**(45)**	(366)
Plant and equipment written off	**–**	4
Share-based payments – employee benefits expense	**37**	–
Share of results of an associate, net of tax	**–**	130
Operating cash flows before working capital changes	**2,021**	3,780
Working capital changes:		
Inventories	**(69)**	(32)
Trade and other receivables	**(699)**	(98)
Prepayments	**(141)**	(16)
Trade and other payables	**218**	(413)
Cash generated from operations	**1,330**	3,221
Income tax paid	**(492)**	(422)
Net cash from operating activities	**838**	2,799
Investing activities		
Interest received	**59**	8
Additional investment in an associate	**–**	(130)
Acquisition of subsidiaries, net of cash acquired	**(2,152)**	–
Investment in available-for-sale financial assets	**(100)**	–
Purchase of intangible assets	**(38)**	–
Purchase of plant and equipment	**(1,059)**	(192)
Net cash used in investing activities	**(3,290)**	(314)
Financing activities		
Advances from directors of the Company	**–**	871
Advances from director of subsidiary	**49**	–
Dividends paid to owners of the parent	**(2,634)**	(72)
Dividends paid to non-controlling interest	**(5)**	(58)
Proceeds from issuance of ordinary shares	**8,100**	10
Proceeds from issuance of redeemable convertible loans	**–**	2,000
Share issue expenses	**(233)**	–
Subscription for shares in subsidiary by a non-controlling interest	**98**	49
Net cash from financing activities	**5,375**	2,800
Net change in cash and cash equivalents	**2,923**	5,285
Cash and cash equivalents at beginning of financial year	**5,834**	549
Cash and cash equivalents at end of financial year	**8,757**	5,834

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

These notes form an integral part of and should be read in conjunction with the financial statements.

1. GENERAL CORPORATE INFORMATION

1.1 Domicile and activities

HC Surgical Specialists Limited (the "Company") is a public limited company incorporated and domiciled in Singapore. On 28 September 2016, in connection with its conversion into a public company limited by shares, the Company changed its name from HC Endoscopy & Surgery Pte. Ltd. to HC Surgical Specialists Limited. The Company was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 3 November 2016.

The Company's registered office is located at 80 Robinson Road #02-00 Singapore 068898 and its principal place of business is located at 233 River Valley Road #B1-04/05 RV Point Singapore 238291. The registration number of the Company is 201533429G.

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

The statement of financial position of the Company as at 31 May 2017 and the consolidated financial statements of the Company and its subsidiaries ("the Group") for the financial year ended 31 May 2017 were authorised for issue in accordance with a Directors' resolution dated 31 August 2017.

1.2 Restructuring exercise

A restructuring exercise (the "Restructuring Exercise") was carried out as part of group restructuring prior to the listing on Catalist Board of SGX-ST which resulted in the Company becoming the holding company of the Group. The following steps were taken in the Restructuring Exercise:

(i) On 23 September 2016, the Company entered into a restructuring agreement which reflected the transfers of (i) 66.67% of the issued and paid up share capital of SHL Group Pte. Ltd., (ii) the entire issued and paid up share capital of each of CKH (Farrer Park) Pte. Ltd., CKH (Mt A) Pte. Ltd., CKH (Mt. E) Pte. Ltd., Heah and Chia Surgical Associates Pte. Ltd., Heah Holdings Pte. Ltd., Heah Hospital Services Pte. Ltd., Heah Sieu Min (Bukit Batok) Pte. Ltd., Heah Siu Min (Mt E) Pte. Ltd., Heah Sieu Min (Paragon) Pte. Ltd., Hougang Clinic Pte. Ltd., and (iii) in respect of the associate company, 33.33% of the issued and paid up share capital of Medical Services @ Tampines Pte. Ltd., to constitute the subsidiaries and associated company under the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

1. GENERAL CORPORATE INFORMATION (CONTINUED)

1.2 Restructuring exercise (Continued)

(ii) On 18 July 2016, the Company entered into a sale and purchase agreement, pursuant to which the Company acquired 51.0% of the issued and fully paid up share capital in LAI BEC Pte. Ltd. ("LBPL"). The consideration for the acquisition amounted to $800,000, of which $150,000 was paid by way of issuance of the Company's shares at $0.27 and the remaining of $650,000 settled in cash.

(iii) On 4 August 2016, the Company entered into a sale and purchase agreement to acquire the entire issued and fully paid share capital of CTK Tan Surgery Pte. Ltd. ("CTK"). The consideration for the acquisition amounted to $410,000, of which settlement of $400,000 was paid by way of issuance of the Company's shares at $0.27 and the remaining of $10,000 settled in cash.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The restructuring exercise involved acquisitions of companies, as referred to in Note 1.2(i) to the financial statements, which are under common control. These companies have been included in the consolidated financial statements of the Group in a manner similar to the "pooling-of-interest" method. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after 23 September 2016.

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

Singapore-incorporated companies listed on SGX-ST will be required to apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 June 2018. The Group will adopt the new framework on 1 June 2018 and will apply the equivalent of IFRS 1 *First-time Adoption of International Financial Reporting Standards* to the transition. This will involve restating the comparatives for the financial year ended 31 May 2018 and the opening statements of financial position as at 1 June 2017 in accordance with the new framework. The Group is in the process of assessing the impact of transition, including the impact from the adoption of IFRS 9 and 15, which is expected to be similar to the impact of FRS 109 and 115 disclosed below, as well as other transitional adjustments that may be required or elected under IFRS 1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

Items included in the individual financial statements of each entity in the Group is measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar, which is the functional currency of the Company and the presentation currency of the financial statements. The financial statements are expressed in Singapore dollar ("$") and rounded to the nearest thousand ("$'000"), unless otherwise stated.

The preparation of financial statements in conformity with FRS requires the management to exercise judgement in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that financial year, or in the financial year of revision and future years if the revision affects both current and future financial years.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

During the financial year, the Group and the Company adopted the new and revised FRS that are relevant to their operations and effective for the current financial year. Changes to the Group's and the Company's accounting policies have been made as required in accordance with the relevant transitional provisions in the respective FRS. The adoption of the new or revised FRS did not result in any substantial changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current and prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and Interpretations of FRS ("INT FRS") issued but not yet effective

As at the date of the authorisation of these financial statements, the following FRS and INT FRS were issued but not yet effective and have not been early adopted in these financial statements:

		Effective date (annual periods beginning on or after)
FRS 7 (Amendments)	: Disclosure Initiative	1 January 2017
FRS 12 (Amendments)	: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 40 (Amendments)	: Transfers of Investment Property	1 January 2018
FRS 102 (Amendments)	: Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 104 (Amendments)	: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
FRS 109	: Financial Instruments	1 January 2018
FRS 110 and FRS 28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	: Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	: Leases	1 January 2019
Improvements to FRSs (December 2016)		
– FRS 28 (Amendments)	: Investments in Associates and Joint Ventures	1 January 2018
– FRS 101 (Amendments)	: First-time Adoption of Financial Reporting Standards	1 January 2018
– FRS 112 (Amendments)	: Disclosure of Interests in Other Entities	1 January 2017
INT FRS 122	: Foreign Currency Transactions and Advance Consideration	1 January 2018

Consequential amendments were also made to various standards as a result of these new or revised standards.

The Group and the Company expect that the adoption of the above FRS and INT FRS, if applicable, will not have a material impact on the financial statements in the period of initial adoption, except as disclosed below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 7 (Amendments) Disclosure Initiative

The amendments to FRS 7 require companies to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will be applied from 1 June 2017 and the Group will include the additional disclosures in the financial statements for that financial year.

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's and the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group and the Company will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test, and where the Group and the Company are holding the debt instrument to both collect the contractual cash flows and to sell the financial assets, can also be measured at fair value through other comprehensive income.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group and the Company will recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition under the three-stage model or from initial recognition if the simplified model is applied.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

The Group and the Company have commenced its preliminary assessment of the classification and measurement of their financial assets and financial liabilities, and do not expect any significant changes to the classification and measurement of its financial assets and liabilities currently measured at amortised cost upon adoption of the standard.

The Group and the Company currently account for its investments in unlisted equity securities at fair value less impairment, if any, as disclosed in Note 8 to the financial statements. On the adoption of FRS 109, these financial assets will qualify to be accounted for at fair value to other comprehensive income and these fair value changes will not be reclassified to profit or loss even on disposal.

The new impairment requirements are expected to result in changes to and likely increases in allowances for impairment loss on trade receivables and other receivables, due to earlier recognition of credit losses. The Group and the Company expect to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables, the Group and the Company will initially provide for 12 months expected losses under the three-stage model. The Group and the Company are still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

The Group and the Company plan to adopt FRS 109 in the financial year beginning on 1 June 2018 with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year and will include additional financial statements disclosures in the financial year when FRS 109 is adopted.

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 115 Revenue from Contracts with Customers (Continued)

The Group has preliminarily assessed that there will be no significant impact on the timing and pattern of the revenue recognition disclosed in Note 2.15 to the financial statements. However the Group is still in the process of making a detailed assessment of the impact of FRS 115 implementation.

The Group plans to adopt the standard in the financial year beginning on 1 June 2018 with full retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

FRS 116 Leases

FRS 116 supersedes FRS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statements of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of FRS 116, there may be a potentially significant impact on the accounting treatment for leases, which the Group and the Company as lessee currently accounts for as operating leases. On adoption of FRS 116, the Group and the Company will be required to capitalise its rented office and clinic spaces on the statements of financial position by recognising them as 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments. The Group and the Company plan to adopt the standard in the financial year beginning on 1 June 2019 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to the end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as that of the parent company.

Accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group to ensure consistency.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which that control ceases. In preparing the consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss of the asset transferred.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that have a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of subsidiaries, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Acquisition under common control

Business combination arising from transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously and no adjustments are made to reflect the fair values or recognised any new assets or liabilities, including no goodwill is recognised as a result of the combination. The components of equity of the acquired entities are added to the same components within the Group equity. Any difference between the consideration paid for the acquisition and share capital of acquiree is recognised directly to equity as merger reserve.

2.4 Plant and equipment

Plant and equipment are initially recorded at cost. Subsequent to initial recognition, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Subsequent expenditure relating to the plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the Company, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Plant and equipment (Continued)

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the plant and equipment over their estimated useful life as follows:

	Years
Computer	3
Furniture, fittings and office equipment	5
Medical equipment	8
Renovation	5

The residual values, estimated useful life and depreciation method are reviewed at each financial year-end to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

2.5 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

The useful life of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite life are amortised on a straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least once at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful life is recognised in profit or loss.

Intangible assets with indefinite useful life or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying amount may be impaired either at individual or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the changes in useful life from indefinite to finite is made on prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (Continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Computer software

Acquired computer software is initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 to 4 years.

The useful life and amortisation method are reviewed at the end of each reporting period to ensure that the period of amortisation and amortisation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the computer software.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in subsidiaries are accounted for at cost, less impairment loss, if any, in the Company's statement of financial position.

2.7 Associate

Associate is entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. Associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Investment in associate in the consolidated financial statements is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associate's post-acquisition profits or losses is recognised in profit or loss. These post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or has made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

After application of the equity method of accounting, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in associate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Associate (Continued)

The financial statements of the associate is prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

Investment in associate is accounted for at cost, less any impairment loss, in the Company's statement of financial position.

2.8 Impairment of non-financial assets excluding goodwill

The carrying amounts of non-financial assets excluding goodwill are reviewed at the end of each reporting period to determine whether there is any indication of impairment loss and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups of assets. Impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to other comprehensive income, in which case it is charged to other comprehensive income up to the amount of any previous revaluation.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit to which the assets belong. The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable willing parties less costs of disposal. Value in use is the present value of estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life, discounted at pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets excluding goodwill (Continued)

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment loss recognised in prior periods is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. Reversals of impairment loss are recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal in excess of impairment losses recognised in profit or loss in prior periods is treated as a revaluation increase. After such a reversal, the depreciation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on a weighted average basis and includes all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price at which inventories can be realised in the ordinary course of business, less estimated costs to be incurred to make the sale. Where necessary, allowance is made for obsolete, slow-moving and defective inventories to adjust the carrying value of those inventories to the lower of cost and net realisable value.

2.10 Financial assets

The Group and the Company classify their financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the purpose of which the assets were acquired. The management determines the classification of the financial assets at initial recognition and re-evaluates this designation at the end of the reporting period, where allowed and appropriate.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified within "trade and other receivables" and "cash and cash equivalents" on the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial asset that are either designated as available-for-sale or not classified in any of the other categories. They are presented as non-current assets unless the management intends to dispose of the asset within 12 months after the end of the reporting period.

Recognition and derecognition

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become parties to the contractual provisions of the financial instruments.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount and the net consideration proceeds is recognised in profit or loss. Any cumulative gain or loss in the fair value reserve relating to the asset is also recognised in profit or loss.

Initial and subsequent measurement

Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less impairment loss, if any.

Subsequent to initial recognition, investments in equity instruments classified as available-for-sale financial assets are measured at fair value and changes therein are recognised directly in the fair value reserve with the exception of impairment losses. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is included in profit or loss for the period.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period to the net carrying amount of the financial instrument. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

Impairment

The Group and the Company assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) Loans and receivables

An allowance for impairment loss of loans and receivables is recognised when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

(ii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in equity, is transferred from equity to profit or loss. In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are not reversed.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash and deposits with banks. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received. Incremental costs directly attributable to the issuance of new equity instruments are shown in the equity as a deduction from the proceeds.

2.13 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (“FVTPL”) or other financial liabilities.

Financial liabilities are classified as FVTPL if the financial liability is either held for trading or it is designated as such upon initial recognition. The Group and the Company have not designated any financial liabilities as FVTPL upon initial recognition.

The accounting policies adopted for other financial liabilities are set out below:

(i) Trade and other payables

Trade and other payables are recognised initially at cost which represents the fair value of the consideration to be paid in the future, less transaction cost, for goods received or services rendered, whether or not billed to the Group and the Company, and are subsequently measured at amortised cost using the effective interest method.

(ii) Redeemable convertible loans (“RCL”)

RCL with conversion option are accounted for as financial liability with an embedded equity conversion derivative based on the terms of the contract. On issuance of RCL, the embedded option is recognised at its fair value as derivative liability with subsequent changes in fair value recognised in profit or loss. The remainder of the proceeds is allocated to the liability component that is carried at amortised cost until the liability is extinguished on conversion or redemption. When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are derecognised with a corresponding recognition of share capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial liabilities (Continued)

Recognition and derecognition

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become parties to the contractual provisions of the financial instruments.

Financial liabilities are derecognised when the contractual obligation has been discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

When an existing liability is replaced by another form from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.14 Derivative financial instruments

Derivative financial instruments held by the Group and the Company are recognised as assets or liabilities on the statements of financial position and classified as financial assets or financial liabilities at fair value through profit or loss.

The Group and the Company classified the conversion option of RCL and option to re-purchase as derivative financial instruments. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss for the financial years, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

When the conversion option is exercised, the carrying amounts of the liability and embedded derivative components are transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained earnings.

2.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of business. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity and the revenue can be measured reliably. Revenue is presented net of rebates, discounts and sales related taxes.

Revenue from rendering of services in respect of provision of consultations, clinical tests and treatments and operations are recognised when the services have been performed and completed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 Grants

Grants are recognised at the fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures.

2.18 Leases

When the Group and the Company are the lessee of operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases (Continued)

When the Company is the lessor of operating leases

Leases where the Company retains substantially all risks and rewards incidental to the ownership are classified as operating leases.

Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

2.19 Employee benefits

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in profit or loss in the same financial year as the employment that gives rise to the contributions.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for unutilised leave as a result of services rendered by employees up to the end of the reporting period.

Employee performance share plan

Selected employees of the Group and the Company receive remuneration in the form of performance share plan (“PSP”) as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the PSP at the date on which the PSP are granted, which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in equity.

2.20 Income tax

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity, or in other comprehensive income.

Current income tax expense is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to income tax payable in respect of previous financial years. Taxable income differs from profit reported as profit or loss because it excluded items of income or expenses that are taxable or deductible in other years and it further excludes items of income or expenses that are not taxable or tax deductible.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Income tax (Continued)

Deferred tax is provided, using the balance sheet liability method, for temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the tax rates expected to be applied to the temporary differences when they are realised or settled, based on tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and where there is intention to settle the current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries and associate, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.21 Dividends

Dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by shareholders.

2.22 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the Group) and whose operating results are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3.1 Critical judgements made in applying the accounting policies

In the process of applying the accounting policies, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

(i) Impairment of investments in subsidiaries

The Company follows the guidance of FRS 36 in determining whether an investment in a subsidiary is impaired. This determination requires significant judgement. The Company evaluates, among other factors, the duration and extent to which the recoverable amount of an investment in subsidiary is less than its carrying amount and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(ii) Classification of available-for-sale financial assets

Significant influence is presumed to exist (or not exist) when an entity holds 20% or more (or less than 20%) of the voting rights of another entity, unless it can be clearly demonstrated otherwise.

The Group and the Company hold a 40% equity interest in HSN Healthcare Pte. Ltd. which the Group has considered that it does not have any significant influence over the entity as the Group has no power to participate in the financial and operating policy decisions of the entity. This investment is intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. As a result, the investment is classified as available-for-sale financial assets instead of investment in associate.

(iii) Consolidation of LAI BEC Pte. Ltd. (“LBPL”), CTK Tan Surgery Pte. Ltd. (“CTK”) and Julian Ong Endoscopy & Surgery Pte. Ltd. (“JOES”)

The Group has exercised significant judgement to determine LBPL, CTK and JOES as subsidiaries of the Group and to consolidate its economic interest in the acquired subsidiaries. The Group holds 51%, 100% and 51% of the paid-up share capital of LBPL, CTK and JOES respectively. The Group has also granted an option to the vendors to re-purchase the entire share capital of CTK and up to 20.0% of the total issued shares in LBPL from the Group as disclosed in Note 6 to the financial statements. Management has made their assessment of the acquisitions, including the granting of the option to re-purchase and determined that the Group has the ability to control and direct the relevant activities of the above mentioned entities and therefore the Group consolidates LBPL, CTK and JOES as subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below:

(i) Goodwill

The management determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which the goodwill has been allocated. Recoverable amount of the cash-generating unit is determined based on value-in-use. The value-in-use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The carrying amount of the Group's goodwill as at 31 May 2017 was $3,388,000 (2016: $Nil).

(ii) Allowance for impairment loss on doubtful receivables

The management establishes allowance for doubtful receivables when it believes that payment of amounts owed is unlikely to occur. In establishing the allowance, the management considers the historical experience and the subsequent inability of the customers to make required payments. If the financial condition of these customers were to deteriorate, resulting in impairment of the ability to make the required payments, additional allowance may be required. The carrying amounts of trade and other receivables of the Group and of the Company as at 31 May 2017 were $1,544,000 (2016: $745,000) and $4,165,000 (2016: $735,000) respectively.

(iii) Fair value measurement of derivative financial instruments

The derivative financial instruments arises from the granting of option to re-purchase for the newly acquired subsidiaries as disclosed in Note 6 to the financial statements, measured at fair value as at the end of the reporting period.

As at the end of the reporting period, the fair values of derivative financial instruments have been determined by the management, assisted by its external valuer, and are considered as level 3 recurring fair value measurements. The significant inputs to the valuations include expected volatility rate and risk-free interest rate. Significant assumptions were made by the management in estimating the probability of the option being exercised as at the end of the reporting period. The carrying amounts of the derivative financial instruments of the Group and the Company relating to the option to re-purchase as at 31 May 2017 were $36,000 (2016: $Nil).

If the probability that the option is exercised is higher or lower by 5% from management's estimates, the Group's profit would have been lower or higher by $36,000 respectively.

4. PLANT AND EQUIPMENT

	Computer $'000	Furniture, fittings and office equipment $'000	Medical equipment $'000	Renovation $'000	Total $'000
Group					
Cost					
Balance at 1 June 2016	72	136	593	577	1,378
Arising from acquisition of subsidiary	–	2	–	–	2
Additions	80	5	393	631	1,109
Written off	(8)	–	(135)	(24)	(167)
Reclassification to intangible assets	(46)	–	–	–	(46)
Balance at 31 May 2017	**98**	**143**	**851**	**1,184**	**2,276**
Accumulated depreciation					
Balance at 1 June 2016	67	29	455	304	855
Depreciation for the financial year	15	8	55	112	190
Written off	(8)	–	(135)	(24)	(167)
Reclassification to intangible assets	(42)	–	–	–	(42)
Balance at 31 May 2017	**32**	**37**	**375**	**392**	**836**
Net carrying amount					
Balance at 31 May 2017	**66**	**106**	**476**	**792**	**1,440**
Cost					
Balance at 1 June 2015	83	36	639	503	1,261
Additions	6	102	10	74	192
Written off	(17)	(2)	(56)	–	(75)
Balance at 31 May 2016	72	136	593	577	1,378
Accumulated depreciation					
Balance at 1 June 2015	67	17	414	218	716
Depreciation for the financial year	17	14	93	86	210
Written off	(17)	(2)	(52)	–	(71)
Balance at 31 May 2016	67	29	455	304	855
Net carrying amount					
Balance at 31 May 2016	5	107	138	273	523

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

4. PLANT AND EQUIPMENT (CONTINUED)

	Computer $'000	Furniture, fittings and office equipment $'000	Renovation $'000	Total $'000
Company				
Cost				
Balance at 1 June 2016	6	4	–	10
Additions	20	13	13	46
Reclassification to intangible assets	(4)	–	–	(4)
Balance at 31 May 2017	**22**	**17**	**13**	**52**
Accumulated depreciation				
Balance at 1 June 2016	1	–	–	1
Depreciation for the financial year	6	3	1	10
Balance at 31 May 2017	**7**	**3**	**1**	**11**
Net carrying amount				
Balance at 31 May 2017	**15**	**14**	**12**	**41**
Cost				
Balance at 1 September 2015	–	–	–	–
Additions	6	4	–	10
Balance at 31 May 2016	6	4	–	10
Accumulated depreciation				
Balance at 1 September 2015	–	–	–	–
Depreciation for the financial period	1	–	–	1
Balance at 31 May 2016	1	–	–	1
Net carrying amount				
Balance at 31 May 2016	5	4	–	9

For the purpose of consolidated statement of cash flows, the Group's additions to plant and equipment during the financial year were financed as follows:–

	2017 $'000	2016 $'000
Additions of plant and equipment	**1,109**	192
Less: Provision for reinstatement cost	**(50)**	–
Cash payments to acquire plant and equipment	**1,059**	192

5. INTANGIBLE ASSETS

	Goodwill $'000	Computer software $'000	Total $'000
Group			
Cost			
Balance at 1 June 2016	–	–	–
Arising from acquisition of subsidiaries	3,388	–	3,388
Additions	–	38	38
Reclassification from plant and equipment	–	46	46
Balance at 31 May 2017	**3,388**	**84**	**3,472**
Accumulated amortisation			
Balance at 1 June 2016	–	–	–
Amortisation for the financial year	–	9	9
Reclassification from plant and equipment	–	42	42
Balance at 31 May 2017	**–**	**51**	**51**
Net carrying amount			
Balance at 31 May 2017	**3,388**	**33**	**3,421**
Balance at 31 May 2016	–	–	–
Company			
Cost			
Balance at 1 June 2016	–	–	–
Reclassification from plant and equipment	–	4	4
Balance at 31 May 2017	–	4	4
Accumulated amortisation			
Balance at 1 June 2016	–	–	–
Amortisation for the financial year	–	1	1
Balance at 31 May 2017	–	1	1
Net carrying amount			
Balance at 31 May 2017	–	3	3
Balance at 31 May 2016	–	–	–

Amortisation expense was included in "depreciation and amortisation expenses" line item of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

5. INTANGIBLE ASSETS (CONTINUED)

Goodwill arising from the business combinations were related to acquisition of subsidiaries, of which, each subsidiary is an individual cash-generating unit ("CGU") that are expected to benefit from the business combinations.

	2017 $'000	2016 $'000
CTK	429	–
LBPL	815	–
JOES	2,144	–
	3,388	–

Impairment test for goodwill

As at 31 May 2017, the recoverable amount of the CGU has been determined based on value-in-use calculations using management-approved discounted cash flow projections covering a period of 3 to 5 years (2016: Nil). Management has assessed 3 to 5 years cash flows for the financial forecast of the CGU is appropriate considering the management's plan for its business plan in the near future. The revenue growth rates are based on management's best estimate, average gross margin are based on past performance and discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the CGUs.

Key assumptions used for value-in-use calculations:

	Revenue growth rate			Pre-tax discount rate	
	2017		2016	2017	2016
CTK	2018	10%	–	6.7%	–
	2019	8%			
	2020	6%			
LBPL	2018 to 2019	20%	–	6.7%	–
	2020 to 2021	18%			
	2022	16%			
JOES	2018	10%	–	6.7%	–
	2019	8%			
	2020 to 2022	6%			

Revenue growth rate – The forecasted growth rates are based on management's expectations for each CGU from historical trends as well as average growth rates of the industry.

Pre-tax discount rate – Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The discount rate calculation is derived from the weighted average cost of capital ("WACC") of the Group.

5. INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill (Continued)

With regards to the assessment of value-in-use for goodwill, management believes that no reasonably possible changes in any key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

As at the end of the reporting period, the recoverable amount of the CGU was determined to be higher than its carrying amount and thus, no impairment loss need to be recognised.

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	**2016**
	$'000	**$'000**
Unquoted equity shares, at cost	**4,316**	976

The details of the subsidiaries are as follows:

Name of company	Principal place of business	Principal activities	Effective equity interest held		Ownership interest held by the non-controlling interests	
			2017	**2016**	**2017**	**2016**
			%	**%**	**%**	**%**
Heah Sieu Min (Mt E) Pte. Ltd.[(1)]	Singapore	Colorectal endoscopy and piles centre	**100**	100	**-**	–
Heah Sieu Min (Bukit Batok) Pte. Ltd.[(1)]	Singapore	Colorectal endoscopy practices/ provide outpatient consultation services and procedures	**100**	100	**-**	–
Heah Sieu Min (Paragon) Pte. Ltd.[(2)]	Singapore	Colorectal endoscopy practices/ provide outpatient consultation services and procedures	**100**	100	**-**	–
CKH (Mt. E) Pte. Ltd.[(1)]	Singapore	Vein laser vascular & laparoscopy clinic/ other health services	**100**	100	**-**	–
Heah Holdings Pte. Ltd.[(3)]	Singapore	Dormant	**-**	100	**-**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (Continued)

Name of company	Principal place of business	Principal activities	Effective equity interest held		Ownership interest held by the non-controlling interests	
			2017 %	2016 %	2017 %	2016 %
Heah Hospital Services Pte. Ltd.[3]	Singapore	Dormant	**-**	100	**-**	–
Heah & Chia Surgical Associates Pte. Ltd.[3]	Singapore	Dormant	**-**	100	**-**	–
CKH (Farrer Park) Pte. Ltd.[1]	Singapore	General, vein laser vascular and laparoscopy surgery and other health services	**100**	100	**-**	–
CKH (Mt A) Pte. Ltd.[1]	Singapore	Vein and vascular surgery practices/ general surgery	**100**	100	**-**	–
SHL Group Pte. Ltd.[1]	Singapore	Clinics and other general medical services	**66.67**	66.67	**33.33**	33.33
Hougang Clinic Pte. Ltd.[1]	Singapore	Specialised medical services (including day surgical centres)/other health services	**100**	100	**-**	–
Malcolm Lim Pte. Ltd.[1]	Singapore	Clinics and other general medical services	**51**	51	**49**	49
LAI BEC Pte. Ltd.[1]	Singapore	Clinics and other general medical services	**51**	–	**49**	–
CTK Tan Surgery Pte. Ltd.[1]	Singapore	Specialised medical services (including day surgical centres)/clinics and other general medical services	**100**	–	**-**	–
Heah Sieu Min (DLeedon) Pte. Ltd.[1]	Singapore	Clinics and other general medical services	**100**	–	**-**	–

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (Continued)

Name of company	Principal place of business	Principal activities	Effective equity interest held 2017 %	Effective equity interest held 2016 %	Ownership interest held by the non-controlling interests 2017 %	Ownership interest held by the non-controlling interests 2016 %
HC (Hillford) Pte. Ltd.[1]	Singapore	Specialised medical services (including day surgical centres)/clinics and other general medical services	**100**	–	**-**	–
HC (GM) Pte. Ltd.[1]	Singapore	Specialised medical services (including day surgical centres)/clinics and other general medical services	**100**	–	**-**	–
Julian Ong Endoscopy & Surgery Pte. Ltd.[1]	Singapore	Clinics and other general medical services	**51**	–	**49**	–

(1) Audited by BDO LLP, Singapore

(2) In the process of striking off

(3) On 9 March 2017, Heah Holdings Pte. Ltd., Heah Hospital Services Pte. Ltd. and Heah & Chia Surgical Associates Pte. Ltd. filed to Accounting and Corporate Regulatory Authority for striking off. The Company has since derecognised the three subsidiaries.

Incorporation of subsidiaries

On 10 March 2016, the Company and a third party incorporated a subsidiary, Malcolm Lim Pte. Ltd. (“MLPL”), a company incorporated in Singapore and the Company subscribed for 51,000 shares at $1 each, which represented an equity interest of 51% and it became a subsidiary of the Company. On 30 June 2016, the Company subscribed for additional share capital in MLPL of 102,000 shares at $1 each by way of cash consideration of $102,000, representing an equity interest of 51% and, the non-controlling interest also contributed cash of $98,000 representing its proportionate equity interest of 49%. Accordingly, the effective interest held by the Company remained unchanged.

On 11 July 2016, the Company incorporated a wholly-owned subsidiary, Heah Sieu Min (DLeedon) Pte. Ltd. in Singapore, with a cash consideration of $2.

On 8 December 2016, the Company incorporated a wholly-owned subsidiary, HC (Hillford) Pte. Ltd. in Singapore, with a cash consideration of $2.

On 9 December 2016, the Company incorporated a wholly-owned subsidiary, HC (GM) Pte. Ltd. in Singapore, with a cash consideration of $2.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries

On 18 July 2016, the Company entered into a sale and purchase agreement, pursuant to which the Company acquired 51.0% of the issued and fully paid up share capital in LBPL and it became a subsidiary of the Company. The consideration for the acquisition amounted to $800,000, of which $150,000 was paid by way of issuance of the Company's shares at $0.27 and the remaining of $650,000 settled in cash. Under the terms of the sale and purchase agreement, the guarantor has provided the Group with a profit after tax guarantee of $480,000 in respect of the Company's 51.0% equity interest, of the performance of LBPL over a period of three years. The guarantor undertakes to pay the Company a sum equal to the shortfall between the guaranteed profit and LBPL's actual profit after tax for the profit guarantee period. The Company has granted to the vendor an option to re-purchase up to 20.0% of the total issued shares in LBPL from the Company, at an exercise price of three times of LBPL's audited profit after tax for the recent financial year (at the time of exercise of the option), provided always that the vendor shall not be entitled to exercise the option prior to the end of 35 months from the date of commencement of the employment of the guarantor with the Group.

On 4 August 2016, the Company entered into a sale and purchase agreement to acquire the entire issued and fully paid up share capital of CTK. The consideration for the acquisition amounted to $410,000, of which settlement of $400,000 was paid by way of issuance of the Company's shares at $0.27 and the remaining of $10,000 settled in cash. Under the terms of the sale and purchase agreement, the vendor has provided the Group with an annual profit before tax guarantee of $150,000 per year for a period of three years which shall commence from 1 September 2016. The vendor undertakes to pay the Company a sum equal to the shortfall between the guaranteed profit and CTK's actual profit before tax after adjustments to deduct the profits to be shared with the vendor for each relevant year in the profit guarantee period. The vendor has an option to re-purchase CTK at any time for a nominal value of $1, provided always that the vendor shall not be entitled to exercise the option for so long as he has not given notice to terminate his employment in accordance with his employment contract with the Group.

On 1 February 2017, the Company entered into a sale and purchase agreement, pursuant to which the Company acquired 51.0% of the issued and fully paid up share capital in JOES and it became a subsidiary of the Company. The consideration for the acquisition amounted to $2,144,000, of which an amount of $575,000 was paid by way of issuance of the Company's shares at $0.575 and the remaining of $1,569,000 settled in cash. Under the terms of the sale and purchase agreement, the guarantor has provided the Group with a profit after tax guarantee of $1,500,000 in respect of the Company's 51.0% equity interest, of the performance of JOES over a period of four years ("the First Profit Guarantee Period"). The guarantor further provides the Group with a second profit guarantee of an aggregate of 3.92 times of JOES's audited profit after tax for the financial year ending 31 May 2020, for a six year period, commencing from the end of the First Profit Guarantee Period. The guarantor undertakes to pay the Company a sum equal to the shortfall between the guaranteed profit and JOES's actual profit after tax for the profit guarantee period.

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

The Company acquired the above three subsidiaries in order to expand the Group's specialised medical services as well as to benefit from the expected synergies that can be achieved in combining the operations of these subsidiaries with the Group such as expanding the Group's presence in Singapore and tapping on the subsidiaries' workforce expertise.

The fair values of the identifiable assets and liabilities of the subsidiaries as at the date of acquisition were:

	CTK $'000	LBPL $'000	JOES $'000	Total $'000
Plant and equipment	2	–	–	2
Inventories	9	–	–	9
Trade and other receivables	146	–	–	146
Prepayments	10	–	–	10
Cash and cash equivalents	77	–	–	77
Deferred tax assets	19	–	–	19
Total assets	263	–	–	263
Trade and other payables	(249)	–	–	(249)
Current income tax payables	(12)	–	–	(12)
Total liabilities	(261)	–	–	(261)
Net identifiable assets at fair value	2	–	–	2
Consideration transferred:				
– purchase consideration	(410)	(800)	(2,144)	(3,354)
– option to re-purchase	(21)	(15)	–	(36)
Goodwill arising from acquisition	(429)	(815)	(2,144)	(3,388)

The effect of acquisition of subsidiaries on the consolidated statement of cash flows were as follows:

	2017 $'000	2016 $'000
Total purchase consideration	**3,354**	–
Less: Non-cash consideration	**(1,125)**	–
Less: Cash and cash equivalents of subsidiaries acquired	**(77)**	–
Net cash outflow on acquisition	**2,152**	–

From the date of acquisition, CTK, LBPL and JOES have contributed $273,000 and $1,494,000 to the Group's profit for the financial year and revenue respectively. If the combination had taken place at the beginning of the financial year, the Group's profit for the financial year would have been $1,339,000 and revenue would have been $9,694,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

Trade and other receivables acquired comprise gross trade and other receivables amounting to $146,000 which approximates fair value. It is expected that full contractual amount of receivables can be collected.

Goodwill of $3,388,000 arising from the acquisitions is attributable to expected synergies that can be achieved in combining the operations of these subsidiaries with the Group such as expanding the Group's presence in Singapore and tapping on the subsidiaries' workforce expertise. These intangibles identified are subsumed into goodwill as they do not meet the recognition criteria for identifiable intangible assets.

Transaction costs related to the acquisition of CTK, LBPL and JOES amounting to $59,000 have been recognised in the "other expenses" line item in the Group's profit or loss for the financial year ended 31 May 2017.

Non-controlling interests

The non-controlling interests of SHL Group Pte. Ltd. and Malcolm Lim Pte. Ltd. that are not 100% owned by the Group are considered to be insignificant.

Summarised financial information in relation to the subsidiaries that have non-controlling interests ("NCI") that are material to the Group, before intra-group eliminations and together with amounts attributed to NCI, is presented below:

	LBPL		JOES		Total	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Current assets	366	–	460	–	826	–
Non-current assets	16	–	99	–	115	–
Current liabilities	(368)	–	(424)	–	(792)	–
Net assets	14	–	135	–	149	–
Accumulated NCI	7	–	66	–	73	–

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Non-controlling interests (Continued)

	LBPL Period from 18 July 2016 (date of acquisition) to 31 May 2017 $'000	JOES Period from 14 February 2017 (date of acquisition) to 31 May 2017 $'000	Total $'000
Revenue	412	298	710
Profit for the financial period, representing total comprehensive income for the financial period	14	135	149
Profit allocated to NCI	7	66	73
Cash flows from operating activities	279	301	580
Cash flows used in investing activities	(19)	(105)	(124)
Net cash inflows	260	196	456

7. INVESTMENT IN ASSOCIATE

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Unquoted equity shares, at cost	**159**	159	**159**	159
Share of results of associate, net of tax	**(159)**	(159)	**-**	–
Impairment losses	**-**	–	**(159)**	–
	-	–	**-**	159

Movement in allowance for impairment losses was as follows:

	Company	
	2017 $'000	2016 $'000
Balance at beginning of financial year	**-**	–
Impairment losses during the financial year	**159**	–
Balance at end of financial year	**159**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

7. INVESTMENT IN ASSOCIATE (CONTINUED)

The details of associate is as follows:

Name of company	Principal place of business	Principal activities	Effective equity interest 2017 %	2016 %
Medical Services @ Tampines Pte. Ltd.[1]	Singapore	Clinics and other general medical services/medical shared services	**33.33**	33.33

[1] Audited by BDO LLP, Singapore

On 30 April 2016, the Group acquired additional share capital in the associate by way of cash of $2, representing an equity interest of 4.76%, which resulted in effective interest held by the Group increasing from 28.57% to 33.33%.

On 31 May 2016, the Group injected additional share capital in the associate by way of cash of $130,000, representing an equity interest of 33.33% and, the other shareholders of the associate have also contributed cash representing proportionate equity interest of 66.67%. Accordingly, the effective interest held by the Group remained unchanged.

The associate's primary business is in alignment with the Group's providing medical shared services and general medical services.

The associate had no contingent liabilities and capital commitments as at the end of the reporting period.

Summarised financial information in relation to the associate is presented below:

	Group 2017 $'000	Group 2016 $'000
Assets and liabilities		
Current assets	**314**	666
Non-current assets	**126**	13
Total assets	**440**	679
Current liabilities	**(480)**	(712)
Total liabilities	**(480)**	(712)
Net liabilities	**(40)**	(33)
Income and expenses		
Revenue	**1,051**	1,274
Total comprehensive income	**(7)**	(93)

7. INVESTMENT IN ASSOCIATE (CONTINUED)

The information above reflects the amounts presented in the financial statements of the associate (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the associate.

The Group had not recognised its share of losses of the associate amounting to $2,000 (2016: $11,000) for the financial year ended 31 May 2017 because the Group's share of losses exceeds its interest in the associate and the Group had no obligation in respect of those losses. The cumulative unrecognised losses with respect to this associate amounting to $13,000 (2016: $11,000) as at the end of the reporting period.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Unquoted equity investment, at fair value	**100**	–

The available-for-sale financial assets ("AFS") represents 40% (2016: Nil%) equity interest in HSN Healthcare Pte. Ltd. ("HSN"). The shareholding interest exceeds 20% of the total shareholding in the investee company but the Group considers that it does not have any significant influence over the entity as the Group has no power to participate in the financial and operating policy decisions of the entity. This investment is intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

As at 31 May 2017, the Group has a capital commitment of $1,900,000 (2016: $Nil) in relation to unpaid capital contribution in HSN and has made an additional advance of $436,000 as disclosed in Note 11 to the financial statements, which will be converted into the share capital of HSN.

Fair value of unquoted available-for-sale financial assets

The fair value of the unquoted equity investment has been determined using the discounted cash flow pricing model and is considered level 3 fair value measurement. Significant inputs to the valuation include the average revenue growth rate and discount rate using pre-tax rate that reflects current market assessment of the time value of money and the specific risk relating to the relevant industry.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Fair value of unquoted available-for-sale financial assets (Continued)

The valuation technique and significant unobservable inputs used in determining the fair value measurement of level 3 financial instruments, as well as the relationship between key unobservable inputs and fair value, are set out in the table below.

Financial instrument	Valuation techniques used	Significant unobservable inputs	Rate %	Relationship between key unobservable inputs and fair value
Available-for-sale financial assets: Unquoted equity investment	Discounted cash flow	Revenue growth rate	51.0	A slight increase in the revenue growth rate used in isolation would result in an increase in the fair value.
		Discount rate	6.7	A slight increase in the discount rate used in isolation would result in a decrease in the fair value.

The currency profile of available-for-sale financial assets as at end of the reporting period is Singapore dollar.

9. DEFERRED TAX ASSETS

	Group	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of financial year	**–**	–
Arising from business combination	**19**	–
Charged to profit or loss	**(17)**	–
Balance at end of financial year	**2**	–

Deferred tax assets are attributable to temporary differences arising from accelerated tax depreciation computed at Singapore's income tax rate of 17% (2016: 17%) amounting to $14,000 (2016: $Nil) available for offset against future taxable profits subject to agreement by the tax authority and provision of the tax legislations.

The above deferred tax asset pertaining to one of the subsidiaries have been recognised in the financial statements as it is expected to be utilised in the future.

10. INVENTORIES

	Group 2017 $'000	Group 2016 $'000
Medical and surgical supplies	**125**	47

11. TRADE AND OTHER RECEIVABLES

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Trade receivables				
– third parties	**905**	600	**–**	–
– subsidiaries	**–**	–	**705**	86
– associate	**37**	51	**1**	–
– related party	**15**	–	**–**	–
	957	651	**706**	86
Allowance for impairment loss on doubtful third parties trade receivables	**(61)**	(29)	**–**	–
	896	622	**706**	86
Other receivables				
– third parties	**55**	15	**54**	7
– subsidiaries	**–**	–	**2,923**	623
– associate	**4**	–	**–**	–
– related parties	**–**	22	**–**	–
– investee company	**436**	–	**436**	–
Goods and services tax recoverable, net	**–**	–	**–**	10
Deposits	**153**	86	**46**	9
	1,544	745	**4,165**	735

Trade receivables are unsecured, non-interest bearing and generally ranging from 1 to 180 (2016: 1 to 180) days' terms.

The non-trade amounts due from subsidiaries and related parties included expenses paid on behalf for related parties, which are unsecured, non-interest bearing and repayable on demand.

The non-trade amount due from investee company was an advance of $436,000 (2016: $Nil) in relation to unpaid capital contribution as disclosed in Note 8 to the financial statements.

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FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in allowance for impairment loss on third parties trade receivables were as follows:

	Group	
	2017	2016
	$'000	$'000
Balance at beginning of financial year	**29**	29
Charged for the financial year	**37**	–
Allowance written back during the financial year	**(5)**	–
Balance at end of financial year	**61**	29

Allowances for impairment loss on doubtful receivables are made in respect of estimated irrecoverable amounts subsequent to debt recovery assessment made by the management by reference to past default experience.

The currency profile of trade and other receivables as at the end of the reporting period is Singapore dollar.

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Fixed deposits	**5,000**	1,200	**5,000**	1,200
Cash and bank balances	**3,757**	4,634	**1,308**	2,914
	8,757	5,834	**6,308**	4,114

Fixed deposits are placed for a period of 6 to 12 months (2016: 12 months) and bear effective interest rates ranging from 1.15% to 1.75% (2016: 1.5%) per annum.

The currency profile of cash and cash equivalents as at the end of the reporting period is Singapore dollar.

13. SHARE CAPITAL

	Group and Company			
	2017	2016	2017	2016
	Number of ordinary shares			
	’000	’000	$’000	$’000
Issued and fully-paid:				
Balance at beginning of financial year	**10**	–	**10**	–
Issuance of ordinary shares at date of incorporation(i)	**-**	10	**-**	10
Issuance of ordinary shares pursuant to the capitalisation of Directors’ advances	**1,636**	–	**1,636**	–
	1,646	10	**1,646**	10
Sub-division of shares	**98,753**	–	**1,646**	–
Issuance of ordinary shares pursuant to the conversion of redeemable convertible loans	**12,346**	–	**2,339**	–
Issuance of ordinary shares pursuant to the Restructuring Exercise as referred to in Note 1.2(ii) and (iii) to the financial statements	**2,037**	–	**550**	–
Issuance of consultancy fee shares(ii)	**3,076**	–	**499**	–
Issuance of employee shares(iii)	**116**	–	**37**	–
Issuance of shares pursuant to an initial public offering exercise(iv)	**30,000**	–	**8,100**	–
Issuance of ordinary shares pursuant to the acquisition of a subsidiary(v)	**1,000**	–	**575**	–
Share issue expenses(vi)	**-**	–	**(732)**	–
Balance at end of financial year	**147,328**	10	**13,014**	10

(i) On 1 September 2015, the Company issued 10,000 subscribers’ shares for total cash consideration of $10,000 at the date of incorporation and the Company’s share capital as at 31 May 2016 represents the actual share capital.

(ii) On 25 October 2016, the Company increased its issued and fully paid-up share capital by way of allotment and issuance of 3,076,000 new ordinary shares at an issue price of approximately $0.16 per share to $499,000 as payment of consultancy fee.

(iii) On 25 October 2016 and 11 January 2017, the Company increased its issued and fully paid-up share capital by way of allotment and issuance of 116,000 new ordinary shares at an issue price ranging from $0.27 to $0.62 per share to certain employees of the Group.

(iv) On 1 November 2016, the Company increased its issued and fully paid-up share capital by way of allotment and issuance of 30,000,000 new ordinary shares at an issue price of $0.27 per ordinary share for cash consideration of $8,100,000 pursuant to an initial public offering.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

13. SHARE CAPITAL (CONTINUED)

(v) On 1 February 2017, the Company increased its issued and fully paid-up share capital by way of allotment and issuance of 1,000,000 new ordinary shares at an issue price of $0.575 per ordinary share for consideration of $575,000 as a partial payment pursuant to an acquisition of a new subsidiary.

(vi) Included in these expenses is an allocation portion of professional fees paid to the independent auditors of the Company in respect of professional services rendered as independent reporting auditors in connection with the Company's initial public offering. The allocation portion of professional fees amounted to $40,000.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

14. MERGER RESERVE

Merger reserve represents the difference between the consideration paid and the issued and fully paid share capital of subsidiaries under common control that are accounted for by applying the "pooling-of-interest" method.

15. RETAINED EARNINGS/(ACCUMULATED LOSSES)

Movements in retained earnings/(accumulated losses) of the Company are as follows:

	Company	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of financial year	**(505)**	–
Total comprehensive income for the financial year	**4,628**	(505)
Dividends	**(2,634)**	–
Balance at end of financial year	**1,489**	(505)

16. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Conversion option – redeemable convertible loans ("RCL")	**–**	1,379
Option to re-purchase	**36**	–
	36	1,379
Presented as:		
Non-current liabilities	**36**	–
Current liabilities	**–**	1,379
	36	1,379

16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Conversion option – RCL

The fair value of the conversion option of the RCL is initially measured at fair value as at 27 October 2015 and subsequently re-measured as at the end of the reporting period.

As at 31 May 2016, the fair values of conversion option have been determined using the indicative placement price of the initial public offering and are considered as level 3 recurring fair value measurements. Significant inputs to the valuations include expected volatility rate and risk-free interest rate.

Option to re-purchase

The fair value of the option to re-purchase represents option granted to two vendors for the newly acquired subsidiaries as disclosed in Note 6 to the financial statements as at the respective date of acquisitions and subsequently re-measured as at the end of the reporting period.

As at the end of the reporting period, the fair values of derivative financial instruments have been determined using the Binomial Option Pricing Model and are considered as level 3 recurring fair value measurements. Significant inputs to the valuations include volatility rate and risk-free rate.

The following table represents the reconciliation for derivative financial instruments measured at fair value based on significant unobservable inputs (Level 3):

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of financial year	**1,379**	–
Recognition of derivative financial instruments at initial recognition	**36**	1,745
De-recognition upon conversion of RCL into ordinary shares	**(1,334)**	–
Fair value gain on re-measurement as at reporting period included in profit or loss	**(45)**	(366)
Balance at end of financial year	**36**	1,379

17. PROVISIONS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of financial year	**-**	–	**-**	–
Provision made	**50**	–	**13**	–
Balance at end of financial year	**50**	–	**13**	–

The provision for reinstatement cost is the estimated cost of dismantlement, removal or restoration of plant and equipment arising from the acquisition or use of asset, which is capitalised and included in the cost of plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

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18. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables				
– third parties	**68**	205	**–**	–
– associate	**15**	13	**–**	–
	83	218	**–**	–
Other payables				
– third parties	**137**	27	**–**	6
– subsidiaries	**–**	–	**182**	2,738
– related parties	**178**	22	**–**	–
– Directors of the Company	**–**	1,636	**–**	1,636
Accrued expenses	**668**	281	**227**	39
Goods and services tax payable, net	**98**	103	**46**	–
Refundable deposit from customers	**74**	71	**–**	–
	1,238	2,358	**455**	4,419

Trade payables are unsecured, non-interest bearing and are normally settled between 30 to 60 (2016: 30 to 60) days' credit terms.

The non-trade amounts due to subsidiaries, related parties and Directors of the Company are unsecured, non-interest bearing and repayable on demand. During the financial year, the Group and the Company capitalised amounts due to Directors of $1,636,000 into the share capital of the Company as disclosed in Note 13 to the financial statements.

The currency profile of trade and other payables as at the end of the reporting period is Singapore dollar.

19. REDEEMABLE CONVERTIBLE LOANS

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of financial year	**699**	–
Additions	**–**	255
Interest expenses	**306**	444
Conversion into ordinary shares	**(1,005)**	–
Balance at end of financial year	**–**	699

On 19 October 2015, the Company entered into a convertible loan agreement (the "Loan") with the redeemable convertible loans ("RCL") lenders for an aggregate sum of $2,000,000. The RCL shall be converted into ordinary shares at the conversion price which is at a 40% discount to the placement price upon the conversion.

19. REDEEMABLE CONVERTIBLE LOANS (CONTINUED)

The salient features of the RCL are as follows:

(i) the RCL will be matured on the day falling eighteen (18) months from the date of the Loan, or such other date as mutually agreed in writing between the Company and the lenders;

(ii) the RCL constitute direct, general, unconditional, unsubordinated and unsecured obligations of the borrower and will rank pari passu without preference or priority among themselves. The payment obligations of the Company under this Loan will at all times rank (i) in priority to any director and/or shareholder loans to the Company; and (ii) at least equally with all its other present and future unsecured and unsubordinated obligations;

(iii) no interest shall be paid on the RCL if the initial public offering ("IPO") is completed on or before the maturity date;

(iv) in the event that the IPO is not completed by maturity date or on the occurrence of events of defaults, the principal amount of the RCL shall be repaid upon the demand by the lenders in writing. The Company shall repay the principal amount of the RCL together with an amount of 18% per annum non-compounded, computed on the basis of a 365 day year and the actual number of days elapsed from the drawdown date to the date of repayment of the loan, over the principal amount of the RCL;

(v) the entire RCL shall be converted into conversion shares upon the sponsor receiving the registration approval or at any time immediately after the Company has delivered to the lenders a conversion notice signed by an authorised signatory of the Company; and

(vi) upon the conversion of the RCL, the obligation to repay the RCL shall be deemed to be discharged by the Company and all rights accruing to the lenders shall thereby be extinguished.

On 25 October 2016, all conversions in respect of the RCL amounting to an aggregate principal amount of $1,005,000 and derivative financial instruments for the embedded conversion option of $1,334,000 were completed and 12,345,674 new ordinary shares in the Company were issued to such RCL lenders at approximately $0.162, pursuant to which, each of such RCL lenders became shareholders of the Company. Redemption of the RCL were completed on 25 October 2016, and none of the RCL remains outstanding.

The currency profile of RCL as at the end of the reporting period is Singapore dollar.

20. REVENUE

Revenue represents fees charged on medical, consultancy, treatment and surgery services rendered, net of goods and services tax.

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21. OTHER INCOME

	Group	
	2017	2016
	$'000	$'000
Allowance for impairment loss on doubtful third parties trade receivables written back	**5**	–
Government grants	**61**	53
Interest income	**59**	8
Others	**85**	10
	210	71

22. EMPLOYEE BENEFITS EXPENSE

	Group	
	2017	2016
	$'000	$'000
Salaries, bonuses and other staff benefits	**3,083**	1,398
Contributions to defined contribution plans	**244**	212
	3,327	1,610

Included in the employee benefits expense were the remuneration and share-based payment of Directors of the Company and key management personnel of the Group, as set out in Note 30 to the financial statements.

The Group and the Company recognised total employee benefits expense amounting to $37,000 (2016: $Nil) related to equity-settled share-based payment transactions during the financial year in which $10,000 (2016: $Nil) and $27,000 were related to performance shares granted under PSP to an employee of the Company and the equity compensation plan to an employee of the Company respectively.

23. DEPRECIATION AND AMORTISATION EXPENSES

	Group	
	2017	2016
	$'000	$'000
Depreciation of plant and equipment	**190**	210
Amortisation of intangible assets	**9**	–
	199	210

24. FINANCE COSTS

	Group	
	2017	2016
	$'000	$'000
Interest expense		
– redeemable convertible loans	**306**	444

25. PROFIT BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	Group	
	2017	2016
	$'000	$'000
Other expenses		
Audit fees		
– auditors of the Company	**124**	61
Non-audit fees		
– auditors of the Company	**–**	–
Allowance for impairment loss on doubtful third parties trade receivables	**37**	–
Bad third parties trade receivables written off	**14**	22
Initial public offering expenses*	**1,258**	426
Plant and equipment written off	**–**	4
Professional fees	**218**	241
Late payment interest on CPF contribution	**–**	42
Operating lease expenses		
– rental of premises	**832**	428
– rental of equipment	**3**	2

* Included in these expenses were professional fees paid to the external auditors of the Company amounting to $80,000 (2016: $75,000) in respect of an allocated portion of professional services rendered as independent reporting auditors in connection with the Company's initial public offering. The other portion of the professional fees rendered as independent reporting auditors, amounting to $40,000 (2016: $Nil) was charged to share issues expenses under share capital.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

26. INCOME TAX EXPENSE

	Group	
	2017	**2016**
	$'000	**$'000**
Current income tax		
– current financial year	**312**	527
– (over)/under provision in prior financial year	**(56)**	49
	256	576
Deferred tax		
– current financial year	**17**	–
Total income tax expense recognised in profit or loss	**273**	576

Reconciliation of effective income tax rate

	Group	
	2017	**2016**
	$'000	**$'000**
Profit before income tax	**1,537**	3,344
Add: Share of results of an associate	**–**	130
	1,537	3,474
Income tax calculated at Singapore's statutory income tax rate of 17% (2016: 17%)	**261**	591
Tax effect of non-deductible expenses for income tax purposes	**291**	161
Tax effect of income not subject to income tax	**(13)**	(70)
Tax effect of tax exempt income	**(129)**	(123)
Deferred tax assets not recognised	**84**	54
Corporate tax rebate and incentive	**(118)**	(94)
(Over)/Under provision of current income tax in prior financial years	**(56)**	49
Utilisation of deferred tax assets not previously recognised	**(27)**	–
Others	**(20)**	8
	273	576

Unrecognised deferred tax assets

	Group	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of financial year	**54**	–
Adjustment resulting from change in temporary differences	**(28)**	–
Amount not recognised in profit or loss	**84**	54
Utilisation of unrecognised deferred tax assets	**(27)**	–
Balance at end of financial year	**83**	54

26. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets (Continued)

Unrecognised deferred tax assets are attributable to the following temporary differences computed at statutory income tax rate of 17% (2016: 17%):

	Group	
	2017	**2016**
	$'000	**$'000**
Accelerated tax depreciation	**1**	–
Unutilised tax losses	**80**	54
Others	**2**	–
	83	54

As at 31 May 2017, the Group has unutilised tax losses of $472,000 (2016: $318,000) available for offset against future taxable profits subject to the agreement by the tax authorities and provisions of the tax legislations.

These deferred tax assets have not been recognised due to the unpredictability of future profit streams. Accordingly, these deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.20 to the financial statements.

27. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of parent by the weighted average number of ordinary shares outstanding during the financial year.

For comparative purposes, the number of ordinary shares used for the calculation of earnings per share ("EPS") in a common control combination, which is accounted for using merger accounting, was the aggregate of the number of shares of the Company whose shares are outstanding after the combination. The 1,646,000 ordinary shares in the Company was sub-divided into 98,753,000 ordinary shares (the "Adjusted Share Capital"), which changed the number of ordinary shares outstanding without a corresponding change in resources.

	2017	**2016**
Profit attributable to owners of the parent ($'000)	**1,308**	2,738
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**126,889**	98,753
Basic earnings per share (cents per share)	**1.03**	2.77

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

27. EARNINGS PER SHARE (CONTINUED)

Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to owners of the parent and the weighted-average number of the Adjusted Share Capital after adjustment for the effects of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares are RCL. The RCL are assumed to have been converted into ordinary shares and the profit is adjusted to eliminate the finance costs and fair value gain on derivative financial instruments.

Diluted earnings per share attributable to the owners of the parent is calculated based on the following data:

	Group	
	2017	**2016**
Earnings ($'000)		
Profit attributable to owners of the parent and earnings used in basic EPS	**1,308**	2,738
Add: Finance costs in RCL	**–**	444
Less: Fair value gain on derivative financial instruments	**–**	(366)
Earnings used in diluted EPS	**1,308**	2,816
Number of shares ('000)		
Number of shares used in basic EPS	**126,889**	98,753
Effect of conversion of RCL	**–**	7,353
Weighted-average number of ordinary shares used in diluted EPS	**126,889**	106,106
Diluted earnings per share (cents per share)	**1.03**	2.65

28. DIVIDENDS

	Group	
	2017	**2016**
	$'000	**$'000**
HC Surgical Specialists Limited paid the following dividends:		
First interim tax exempt dividend of $0.018 (2016: $Nil) per ordinary share for financial year ended 31 May 2017	**2,634**	–
SHL Group Pte. Ltd. paid the following dividends to the owners prior to the Restructuring Exercise:		
First interim tax exempt dividend of $36,000 per ordinary share for financial year ended 31 May 2016	**–**	72
	2,634	72

The Board of Directors proposed that a final dividend of $0.007 (2016: $Nil) per ordinary share amounting to $1,047,000 (2016: $Nil) to be paid for the financial year ended 31 May 2017. These dividends have not been recognised as a liability as at the end of the reporting period as it is subject to the approval of the shareholders at the Annual General Meeting.

29. OPERATING LEASE COMMITMENTS

The Group and the Company as lessee

The Group and the Company lease office and clinic spaces under non-cancellable operating leases. The operating lease commitments are based on existing rental rates. The leases have lease terms ranging from 1 to 5 years and rentals are fixed during the lease terms.

As at the end of the reporting period, the future minimum lease payable under non-cancellable operating leases contracted for but not recognised as liabilities were as follows:

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Within one financial year	**963**	367	**231**	84
After one financial year but within five financial years	**1,384**	255	**126**	49
More than five financial years	**–**	36	**–**	–
	2,347	658	**357**	133

The Company as lessor

The Company subleases its clinic spaces under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease receivables under non-cancellable operating leases contracted for as at the end of the reporting period but not recognised as receivables, are as follows:

	Company	
	2017	**2016**
	$'000	**$'000**
Within one financial year	**168**	–
After one financial year but within five financial years	**126**	–
	294	–

The above operating lease commitments are based on existing rental rates at the end of the reporting period.

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purpose of these consolidated financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions at rates and terms agreed between the Group and the Company with related parties during the financial year:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
With associate				
Management fee income	**12**	–	**12**	–
Services rendered income	**188**	72	**-**	–
Services rendered expense	**130**	297	**-**	–
With subsidiaries				
Expenses paid on behalf of	**-**	–	**1,529**	–
Management fee income	**-**	–	**1,913**	80
Advances from	**-**	–	**2,630**	100
Advances to	**-**	–	**1,399**	–
Dividend income	**-**	–	**6,224**	43
With related parties				
Rental expense	**434**	229	**84**	180
Services rendered income	**-**	35	**-**	–
With Directors of the Company				
Advances from	**-**	871	**-**	1,675
With Director of subsidiary				
Advances from	**49**	–	**-**	–

Key management personnel are directors of the Company and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly.

The remuneration of directors and other key management personnel of the Group during the financial years ended 31 May 2017 and 31 May 2016 were as follows:

	Group	
	2017	2016
	$'000	$'000
Directors of the Company		
– short-term employee benefits	**809**	565
– post-employment benefits	**26**	23
– director's fees	**66**	–
	901	588
Other key management personnel		
– short-term employee benefits	**386**	–
– post-employment benefits	**50**	–
	436	–
	1,337	588

31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Group's and the Company's activities expose them to credit risks and liquidity risks arising in the ordinary course of business. The Group and the Company are not exposed to foreign currency risks as its transactions are carried out in Singapore. The Group's and the Company's overall risk management strategy seek to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The Group's and the Company's management then establish the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which the risks are managed and measured. The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange rates.

31.1 Credit risks

Credit risks refer to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group and the Company perform ongoing credit evaluation of its counterparties' financial condition and generally do not require collaterals.

The Group and the Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics, except as follows:

(i) the Company's trade receivables from subsidiaries which represent 17% (2016: 12%) of total trade and other receivables.

(ii) the Company's non-trade amounts due from subsidiaries which represent 70% (2016: 85%) of total trade and other receivables.

(iii) the Group's and the Company's non-trade amount due from investee company which represents 28% (2016: Nil%) and 10% (2016: Nil%) of total trade and other receivables respectively.

The carrying amounts of financial assets recorded in the consolidated financial statements, grossed up for any allowances for losses, represents the Group's and the Company's maximum exposure to credit risks. The Group and the Company do not hold any collateral.

The Group's and the Company's major classes of financial assets are trade and other receivables and cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

31.1 Credit risks (Continued)

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group and the Company.

Bank deposits are mainly deposits with reputable banks with minimum risk of default.

As at the end of the reporting period, the age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Past due less than 1 month	**3**	30
Past due 1 to 2 months	**9**	20
Past due over 3 months	**6**	4

31.2 Liquidity risks

Liquidity risks refer to the risks in which the Group and the Company encounter difficulties in meeting their short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group and the Company actively manage their operating cash flows so as to ensure that all payment needs are met. As part of its overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash to meet their working capital requirements.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

31.2 Liquidity risks (Continued)

Contractual maturity analysis

The following tables detail the Group's and the Company's remaining contractual maturity for their non-derivative financial instruments. The tables have been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay.

	Within one financial year			
	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Financial assets				
Available-for-sale financial assets	**100**	–	**100**	–
Trade and other receivables	**1,544**	745	**4,165**	725
Cash and cash equivalents	**8,779**	5,845	**6,330**	4,125
Total undiscounted financial assets	**10,423**	6,590	**10,595**	4,850
Financial liabilities				
Trade and other payables	**1,140**	2,255	**409**	4,419
Redeemable convertible loans	**–**	2,540	**–**	2,540
Total undiscounted financial liabilities	**1,140**	4,795	**409**	6,959

The derivative in respect of the RCL and option to re-purchase as disclosed in Note 16 to the financial statements, the derivative liabilities of $Nil (2016: $1,379,000) and $36,000 (2016: $Nil) are due within one financial year and after one financial year but within five financial years respectively.

31.3 Capital management policies and objectives

The Group and the Company manage capital to ensure that the Group and the Company are able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholders' value.

Management reviews the capital structure to ensure that the Group and the Company are able to service any debt obligations (including principal repayment and interest) based on operating cash flows. The Group's and the Company's overall strategy remains unchanged from 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

31.3 Capital management policies and objectives (Continued)

The Group and the Company monitor capital based on a gearing ratio, which is net debt divided by total equity plus net debt. The Group's and the Company's net debt include, trade and other payables, redeemable convertible loans and derivative financial instruments less cash and cash equivalents. Equity attributable to the owners of the parent comprises share capital and merger reserve.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade and other payables	**1,238**	2,358	**455**	4,419
Redeemable convertible loans	**–**	699	**–**	699
Derivative financial instruments	**36**	1,379	**36**	1,379
Less: Cash and cash equivalents	**(8,757)**	(5,834)	**(6,308)**	(4,114)
Net (cash)/debt	**(7,483)**	(1,398)	**(5,817)**	2,383
Equity attributable to the owners of the parent	**13,830**	2,152	**14,503**	(495)
Total capital	**6,347**	754	**8,686**	1,888
Gearing ratio	**n.m.**	n.m.	**n.m.**	126%

Except for the gearing ratio of the Company as at 31 May 2016, the gearing ratio of the Group and the Company is not meaningful ("n.m.") because cash and cash equivalents are higher than the Group and the Company's total liabilities.

The Group and the Company did not have externally imposed capital requirements for the financial years ended 31 May 2017 and 31 May 2016.

31.4 Fair value of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

- the fair value of other financial assets and other financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

31.4 Fair value of financial assets and financial liabilities (Continued)

Fair value hierarchy

The Group and the Company classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments that are not carried at fair value

The carrying amounts of the current financial assets and current financial liabilities that are not carried at fair value approximate their respective fair values as at the end of the reporting period due to the relatively short-term maturity of these financial instruments.

Fair values of financial instruments carried at fair value

The table below classified financial instruments carried at fair value by level of fair value hierarchy as at the end of the reporting period:

	Fair value measurements using			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
2017				
Financial assets				
Available-for-sale financial assets	**-**	**-**	**100**	**100**
Financial liabilities				
Derivative financial instruments	**-**	**-**	**36**	**36**
2016				
Financial liabilities				
Derivative financial instruments	–	–	1,379	1,379

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

31.4 Fair value of financial assets and financial liabilities (Continued)

Fair values of financial instruments carried at fair value (Continued)

The carrying amount of available-for-sale financial assets is disclosed on the face of statements of financial position and in Note 8 to the financial statements.

There were no transfers between levels during the financial year and no changes in the valuation techniques of the various classes of assets and financial liabilities during the financial years ended 31 May 2017 and 31 May 2016.

Valuation policies and procedures

Management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 *Fair Value Measurement* guidance.

For valuations performed by external valuation experts, the management reviews the appropriateness of the valuation methodologies and assumptions adopted. The management also evaluates the appropriateness and reliability of the inputs used in the valuations.

31.5 Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Financial assets				
Available-for-sale financial assets	**100**	–	**100**	–
Loans and receivables	**10,301**	6,579	**10,473**	4,839
	10,401	6,579	**10,573**	4,839
Financial liabilities				
Financial liabilities designated at fair value through profit or loss	**36**	1,379	**36**	1,379
Other financial liabilities, at amortised cost	**1,140**	2,954	**409**	5,118
	1,176	4,333	**445**	6,497

32. SEGMENT INFORMATION

Business segment

The Group primarily operates in one business segment, which is the healthcare segment. Accordingly, no segmental information is prepared based on business segment as it is not meaningful.

Geographical information

During the financial year ended 31 May 2017, the Group operated mainly in Singapore and all non-current assets were located in Singapore. Accordingly, an analysis of non-current assets and revenue of the Group by geographical distribution has not been presented.

Major customers

The Group's customers comprise mainly individual patient. The Group is not reliant on any individual or corporate customer for its revenue and no one single customer accounted for 10% or more of the Group's total revenue for each of the reporting period.

33. COMPARATIVE FIGURES

33.1 The comparative figures of the Group for the preceding year have been presented under pooling-of-interest method. The effective date of the pooling-of-interest for accounting purposes predates 1 June 2015, the beginning of the financial year for which comparative figures are being presented, as if the Group has been under common control prior to 1 June 2015.

33.2 Certain reclassifications have been made to the prior year's financial statements to enhance the comparability with current financial year's financial statements. As a result, certain line items have been amended in the consolidated statement of comprehensive income. Comparative figures have been reclassified to conform to the current year's presentation.

	2016 As previously reported $'000	2016 As reclassified $'000
Consolidated statement of comprehensive income		
Changes in inventories	–	32
Inventories and consumables used	(1,036)	(1,068)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

34. EVENTS AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, the following events have taken place:

34.1 On 1 June 2017, the Company entered into the following sale and purchase agreements:

Acquisition of Medical L & C Services Pte. Ltd. ("MLCS")

Pursuant to the sale and purchase agreement, the Company acquired 51.0% of the issued and fully paid up share capital in MLCS. The consideration for the acquisition amounted to $1,050,000, of which $260,000 was paid by way of issuance of the Company's shares at $0.58 per share and the remaining of $790,000 settled in cash.

Acquisition of Medinex Pte. Ltd. ("MDN")

Pursuant to the sale and purchase agreement, the Company acquired 49.0% of the issued and fully paid up share capital in MDN. The consideration for the acquisition amounted to $4,316,000, of which $1,079,000 was paid by way of issuance of the Company's shares at $0.58 per share and the remaining of $3,237,000 settled in cash. Under the terms of the sale and purchase agreement, the vendor will provide the Group with a profit after tax guarantee of $2.94 million in respect of the Company's 49% equity interest, of the performance of MDN over a period of 4.5 years.

The Company is in the midst of finalising the purchase price allocation report of these acquisitions. Accordingly, no disclosure on the effect of the acquisitions have been made under the requirements of FRS 103 *Business Combinations* as the fair value of the net assets of the acquirees are not determinable as at the date of this report.

STATISTICS OF **SHAREHOLDINGS**

AS AT 23 AUGUST 2017

SHARE CAPITAL

Class of Shares	:	Ordinary Shares
Number of issued and paid-up shares (excluding Treasury Shares)	:	149,635,630
Number of Treasury Shares	:	–
Number of subsidiary holdings	:	–
Number (Percentage) of Treasury Shares to total number of issued shares excluding Treasury Shares*	:	–
Voting rights (excluding Treasury Shares)	:	One vote per share

* The Company does not have any subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	27	6.85	17,800	0.01
1,001 – 10,000	154	39.09	1,007,900	0.67
10,001 – 1,000,000	199	50.51	20,289,307	13.56
1,000,001 and above	14	3.55	128,320,623	85.76
Total	**394**	**100.00**	**149,635,630**	**100.00**

LIST OF 20 LARGEST REGISTERED SHAREHOLDERS

No.	Name	No. of Shares	%
1	DR. HEAH SIEU MIN	63,988,980	42.76
2	DR. CHIA KOK HOONG	34,753,440	23.23
3	LEO TING PING RONALD	4,629,629	3.09
4	SHINE VENTURE CAPITAL PTE LTD	3,660,000	2.45
5	SHINE INTERNATIONAL GROUP PTE. LTD.	3,086,400	2.06
6	KGI SECURITIES (SINGAPORE) PTE LTD	3,005,600	2.01
7	YEO KHEE SENG BENNY	2,747,109	1.84
8	JESSIE LOW MUI CHOO	2,477,284	1.66
9	HONG LEONG FINANCE NOMINEES PTE LTD	2,410,200	1.61
10	DBS NOMINEES PTE LTD	1,838,400	1.23
11	CHUA CHIN HENG ALAN	1,799,000	1.20
12	DR. CHARLES TAN TSE KUANG	1,481,481	0.99
13	APEX CAPITAL GROUP PTE LTD	1,260,000	0.84
14	CIMB SECURITIES (SINGAPORE) PTE LTD	1,183,100	0.79
15	LYE KHENG LENG LAWRENCE (LAI QINGLONG LAWRENCE)	1,000,000	0.67
16	ONG KIAN PENG (WANG JIANBIN)	1,000,000	0.67
17	LEE CHIN ING (LI JINGYING)	800,000	0.53
18	CITIBANK NOMINEES SINGAPORE PTE LTD	753,000	0.50
19	LIM KHENG MOH	699,500	0.47
20	UOB KAY HIAN PTE LTD	694,000	0.46
	Total:	**133,267,123**	**89.06**

STATISTICS OF **SHAREHOLDINGS**

AS AT 23 AUGUST 2017

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders

	Direct Interest		Deemed Interest	
Name of Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**
Dr. Heah Sieu Min	63,988,980	42.76	–	–
Dr. Chia Kok Hoong	34,753,440	23.23	–	–

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 23 August 2017, approximately 31.52% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the SGX-ST Listing Manual Section B: Rules of the Catalist is complied with.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 131 Rifle Range Road, Level 3 Brani Room, Temasek Club, Singapore 588406 on Tuesday, 26 September 2017 at 2.00 p.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 May 2017 and the Directors' Statement and the Auditor's Report thereon. **(Resolution 1)**

2. To re-elect the following Directors who are retiring in accordance with the provisions of the Company's Constitution:–

   (a) Mr. Chong Weng Hoe (pursuant to Regulation 103) **(Resolution 2)**
   (Please see explanatory note 1)

   (b) Mr. Ooi Seng Soon (pursuant to Regulation 103) **(Resolution 3)**
   (Please see explanatory note 2)

   (c) Mr. Lim Chye Lai, Gjan (pursuant to Regulation 103) **(Resolution 4)**
   (Please see explanatory note 3)

3. To approve the payment of Directors' fees of $66,666/- for the financial year ended 31 May 2017. **(Resolution 5)**

4. To declare a final dividend (tax-exempt one-tier) of $0.007 per ordinary share for the financial year ended 31 May 2017. **(Resolution 6)**

5. To re-appoint Messrs BDO LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. To transact any other business which may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:–

7. **Authority to allot and issue shares**

   "That, pursuant to Section 161 of the Companies Act (Cap. 50), and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules"), approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

   (a) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

   (b) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

NOTICE OF
ANNUAL GENERAL MEETING

(c) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(d) (Notwithstanding the authority conferred by the Shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that:

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed one hundred per cent (100%) of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a *pro-rata* basis to Shareholders of the Company does not exceed fifty percent (50%) of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, and (subject to such manner of calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under this paragraph) for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares and subsidiary holdings at the time this resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities, or

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules, and

(c) any subsequent bonus issue, consolidation or subdivision of the Company's shares;

(ii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(iii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next annual general meeting ("AGM") or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier."

(Resolution 8)

(Please see explanatory note 4)

8. Authority to offer and grant share awards and to allot and issue shares pursuant to the HC Surgical Specialists Limited Performance Share Plan (the "HCSS Performance Share Plan").

"That:

(a) authority be and is hereby given to the Directors of the Company to offer and grant share awards in accordance with the HCSS Performance Share Plan; and

(b) approval be and is hereby given to the Directors to exercise full powers of the Company to allot and issue from time to time such number of shares as may be required to be allotted and issued pursuant to the award of shares under the HCSS Performance Share Plan,

provided that the aggregate number of shares to be issued pursuant to the HCSS Employee Share Option Scheme and the HCSS Performance Share Plan shall not exceed fifteen per cent (15%) of the total number of issued shares excluding treasury shares in the capital of the Company from time to time."

(Resolution 9)

(Please see explanatory note 5)

9. Authority to offer and grant options and to allot and issue shares pursuant to the HC Surgical Specialists Limited Employee Share Option Scheme (the "HCSS Employee Share Option Scheme").

"That:

(a) authority be and is hereby given to the Directors of the Company to offer and grant options in accordance with the provisions of the HCSS Employee Share Option Scheme; and

(b) approval be and is hereby given to the Directors to exercise full powers of the Company to allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of the options under the HCSS Employee Share Option Scheme,

provided that the aggregate number of shares to be issued pursuant to the HCSS Employee Share Option Scheme and the HCSS Performance Share Plan shall not exceed fifteen per cent (15%) of the total number of issued shares excluding treasury shares in the capital of the Company from time to time."

(Resolution 10)

(Please see explanatory note 5)

10. **The Proposed Adoption of the Share Buy-Back Mandate**

"That:

(a) for the purposes of the Catalist Rules and the Companies Act, the Directors be and are hereby authorised to exercise all the powers of the Company to purchase or acquire its issued and fully paid-up Shares representing not more than ten per cent (10%) of the total number of issued Shares of the Company at such price(s) as may be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company from time to time up to the Maximum Price (as defined below), whether by way of:

NOTICE OF ANNUAL GENERAL MEETING

(i) an on-market purchase ("Market Purchase"), transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or

(ii) an off-market purchase ("Off-Market Purchase"), effected otherwise than on the SGX-ST pursuant to an equal access scheme in accordance with Section 76C of the Companies Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the Catalist Rules as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buy-Back Mandate");

(b) unless varied or revoked by the Shareholders in a general meeting, purchases or acquisitions of Shares pursuant to the proposed Share Buy-Back Mandate may be made, at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next AGM of the Company is held or required by law to be held;

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

(c) in this Resolution:

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase, 105 per cent (105%) of the Average Closing Price (as defined below); and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120 per cent (120%) of the Average Closing Price, where:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days period;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution." **(Resolution 11)**

(Please see explanatory note 6)

BY ORDER OF THE BOARD

Lin Moi Heyang
Company Secretary

Singapore, 11 September 2017

Explanatory Notes:–

1. The key information of Mr. Chong Weng Hoe can be found on page 12 in the Annual Report. Mr. Chong Weng Hoe will, upon re-election as a Director of the Company, remain as the Chairman of the Board, the Remuneration Committee and Nominating Committee, and member of the Audit Committee. Mr. Chong will be considered independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr. Chong and the other Directors, the Company and its 10% shareholders.

2. The key information of Mr. Ooi Seng Soon can be found on page 13 in the Annual Report. Mr. Ooi Seng Soon will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee, and member of the Nominating and Remuneration Committees. Mr. Ooi will be considered independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr. Ooi and the other Directors, the Company and its 10% shareholders.

3. The key information of Mr. Lim Chye Lai, Gjan can be found on page 13 in the Annual Report. Mr. Lim Chye Lai, Gjan will, upon re-election as a Director of the Company, remain as a Non-Independent Non-executive Director of the Company and member of the Audit, Remuneration and Nominating Committees. Mr. Lim will be considered non-independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr. Lim and the other Directors, the Company and its 10% shareholders.

4. The ordinary resolution 8 above is to authorise the Directors of the Company from the date of the above Meeting until the next AGM to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 100 percent of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing Shareholders shall not exceed 50 percent of the issued share capital of the Company (excluding treasury shares and subsidiary holdings) at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

NOTICE OF ANNUAL GENERAL MEETING

5. The ordinary resolutions 9 and 10 above are to authorise the Directors of the Company to offer and award shares pursuant to the HCSS Performance Share Plan as well as grant options under the HCSS Employee Share Option Scheme, provided that the aggregate number of shares to be issued shall not exceed 15% of the Company's issued shares, excluding treasury shares in the capital of the Company from time to time.

6. The ordinary resolution 11 above is to authorise the Directors from the date of the above AGM until the date of the next AGM, or the date by which the next AGM of the Company is required by law to be held or the date on which such authority is revoked or varied by the Shareholders in a general meeting, whichever is the earliest, to purchase up to ten per cent (10%) of the total number of issued Shares in the share capital of the Company (excluding treasury shares and subsidiary holdings). Please refer to the Appendix to this Annual Report for details.

NOTES:

Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act (Cap. 50) (the "Act"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.

Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #02-00 Singapore 068898, not later than 72 hours before the time set for the holding of the Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

HC SURGICAL SPECIALISTS LIMITED

(the "Company")
(Incorporated in the Republic of Singapore)
(Company Registration No. 201533429G)

IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their SRS monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. SRS investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Annual General Meeting.

PROXY FORM
ANNUAL GENERAL MEETING

*I/We ______________________ (Name) ______________ (NRIC/Passport Number)

of ____ (Address)

being a member/members of HC Surgical Specialists Limited (the "Company"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 131 Rifle Range Road, Level 3 Brani Room, Temasek Club, Singapore 588406 on Tuesday, 26 September 2017 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her discretion, as he/they may on any other matter arising at the AGM.

(Please indicate your vote "For" or "Against" with a [✓] within the box provided)

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
1.	Adoption of the Audited Financial Statements, Directors' Statement and Auditors' Report for the financial year ended 31 May 2017		
2.	Re-election of Mr. Chong Weng Hoe as director		
3.	Re-election of Mr. Ooi Seng Soon as director		
4.	Re-election of Mr. Lim Chye Lai, Gjan as director		
5.	Directors' Fees of $66,666/- for the financial year ended 31 May 2017		
6.	Declaration of final dividend (tax-exempt one-tier) of $0.007 per ordinary share for the financial year ended 31 May 2017		
7.	Re-appointment of Auditors		
8.	Authority to issue ordinary shares		
9.	Authority to issue shares under the HCSS Performance Share Plan		
10.	Authority to issue shares under the HCSS Employee Share Option Scheme		
11.	Proposed Adoption of the Share Buy-Back Mandate		

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick [✓] within the relevant box provided. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant resolution, please indicate the number of shares in the relevant boxes provided.

Dated this __________ day of ________________ 2017

Total number of Shares held:	No. of Shares
(a) CDP Register	
(b) Register of members	

____
Signature/Common Seal of Member(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act (Cap. 50) (the "Act"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Act.

5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #02-00 Singapore 068898, not later than 72 hours before the time set for the Annual General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the holding of the Annual General Meeting.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 11 September 2017.

HC SURGICAL
SPECIALISTS LIMITED

Visit us at **http://www.hcsurgicalspecialists.com**
Tel: **+65 6205 0345**
Fax: **+65 6200 1537**
Email: **contact@hcsurgicalspecialists.com**