



HC Surgical Specialists Limited

**Condensed interim financial statements
For the six months ended 30 November 2021**

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A. Condensed interim consolidated statement of profit or loss and other comprehensive income

	Note	Group		
		6 months ended		
		30 November 2021 S\$'000	30 November 2020 S\$'000	Change %
Revenue	4.2	10,409	10,980	-5.2%
Other items of income				
Other income		1,129	702	60.8%
Fair value gain on financial assets at FVTPL		689	1,542	-55.3%
Items of expense				
Changes in inventories		28	(111)	N.M.
Inventories, consumables and surgery expenses		(1,436)	(1,312)	9.5%
Employee benefits expense		(3,495)	(3,774)	-7.4%
Depreciation and amortisation expenses		(862)	(734)	17.4%
Lease expenses		(36)	41	N.M.
Other expenses		(816)	(1,324)	-38.4%
Finance costs		(98)	(100)	-2.0%
Profit before income tax	6.1	5,512	5,910	-6.7%
Income tax expense	7	(615)	(649)	-5.2%
Profit for the financial period, representing total comprehensive income for the financial period		4,897	5,261	-6.9%
Profit and total comprehensive income attributable to:				
Owners of the parent		4,642	5,000	-7.2%
Non-controlling interests		255	261	-2.3%
		4,897	5,261	-6.9%
Earnings per share (in cents)				
- Basic and diluted	9	3.12	3.32	-6.1%

N.M. – Not meaningful

B. Condensed interim statements of financial position

	Note	Group		Company	
		30 November 2021 S\$'000	31 May 2021 S\$'000	30 November 2021 S\$'000	31 May 2021 S\$'000
ASSETS					
Non-current assets					
Plant and equipment	13	1,699	1,872	16	23
Intangible assets	12	4,784	4,786	3	5
Right-of-use assets		2,315	3,002	129	159
Investments in subsidiaries	16	-	-	16,870	5,760
Investment in associate		480	480	480	480
Investment in joint ventures		182	272	182	272
Debt instruments at amortised cost		1,882	1,882	1,882	1,882
Financial assets at FVTPL	11	9,575	8,260	9,575	8,260
Deferred tax assets		87	75	-	-
Derivative financial instruments		1,242	1,242	1,485	1,856
Other receivables		-	-	71	172
		22,246	21,871	30,693	18,869
Current assets					
Inventories		353	325	-	-
Trade and other receivables		2,073	2,851	1,845	3,473
Prepayments		299	246	178	106
Derivative financial instruments		-	-	-	494
Cash and bank balances		7,028	10,988	3,005	5,132
		9,753	14,410	5,028	9,205
Total assets		31,999	36,281	35,721	28,074
EQUITY AND LIABILITIES					
Equity					
Share capital	15	15,419	15,419	15,419	15,419
Treasury shares		(996)	(996)	(996)	(996)
Merger reserve		(815)	(815)	-	-
Capital reserve		(14,473)	(3,930)	(164)	(164)
Other reserve		(4,470)	(12,658)	-	-
Retained earnings		14,023	12,806	6,971	6,787
Equity attributable to owners of the parent		8,688	9,826	21,230	21,046
Non-controlling interests		121	922	-	-
Total equity		8,809	10,748	21,230	21,046

B. Condensed interim statements of financial position (continued)

	Note	Group		Company	
		30 November 2021 S\$'000	31 May 2021 S\$'000	30 November 2021 S\$'000	31 May 2021 S\$'000
Non-current liabilities					
Deferred tax liabilities		125	127	-	-
Derivative financial instruments		28	28	28	28
Other financial liabilities		3,939	11,950	-	-
Other payables		6,248	-	6,248	-
Bank borrowings	14	3,172	3,750	3,172	3,750
Provisions		106	122	21	21
Lease liabilities		1,295	1,878	142	274
		<u>14,913</u>	<u>17,855</u>	<u>9,611</u>	<u>4,073</u>
Current liabilities					
Trade and other payables		4,615	3,643	3,212	1,224
Other financial liabilities		-	171	-	-
Bank borrowings	14	1,225	1,250	1,225	1,250
Lease liabilities		1,086	1,167	303	340
Current income tax payable		1,351	1,447	140	141
		<u>8,277</u>	<u>7,678</u>	<u>4,880</u>	<u>2,955</u>
Total liabilities		<u>23,190</u>	<u>25,533</u>	<u>14,491</u>	<u>7,028</u>
Total equity and liabilities		<u>31,999</u>	<u>36,281</u>	<u>35,721</u>	<u>28,074</u>

C. Condensed interim statements of changes in equity

Group		Share capital	Treasury shares	Merger reserve	Capital reserve	Other reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 June 2021		15,419	(996)	(815)	(3,930)	(12,658)	12,806	9,826	922	10,748
Profit for the financial period		-	-	-	-	-	4,642	4,642	255	4,897
Total comprehensive income for the financial period		-	-	-	-	-	4,642	4,642	255	4,897
Contributions by and distributions to owners										
Dividends	8	-	-	-	-	-	(3,425)	(3,425)	-	(3,425)
Total transactions with owners		-	-	-	-	-	(3,425)	(3,425)	-	(3,425)
Transactions with non-controlling interests										
Acquisition of non-controlling interests without a change in control		-	-	-	(10,543)	8,188	-	(2,355)	(33)	(2,388)
Dividends		-	-	-	-	-	-	-	(1,023)	(1,023)
Total transactions with non-controlling interests		-	-	-	(10,543)	8,188	-	(2,355)	(1,056)	(3,411)
Balance at 30 November 2021		15,419	(996)	(815)	(14,473)	(4,470)	14,023	8,688	121	8,809

Group		Share capital	Treasury shares	Merger reserve	Capital reserve	Other reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 June 2020 (restated)		15,419	(541)	(815)	(3,773)	(2,417)	8,408	16,281	264	16,545
Profit for the financial period		-	-	-	-	-	5,000	5,000	261	5,261
Total comprehensive income for the financial period		-	-	-	-	-	5,000	5,000	261	5,261
Contributions by and distributions to owners										
Acquisition of a subsidiary		-	313	-	(157)	-	-	156	-	156
Purchase of treasury shares		-	(424)	-	-	-	-	(424)	-	(424)
Dividends	8	-	-	-	-	-	(1,057)	(1,057)	-	(1,057)
Total transactions with owners		-	(111)	-	(157)	-	(1,057)	(1,325)	-	(1,325)
Transactions with non-controlling interests										
Dividends		-	-	-	-	-	-	-	(98)	(98)
Total transactions with non-controlling interests		-	-	-	-	-	-	-	(98)	(98)
Balance at 30 November 2020		15,419	(652)	(815)	(3,930)	(2,417)	12,351	19,956	427	20,383

C. Condensed interim statements of changes in equity (continued)

Company		Share capital	Treasury shares	Capital reserve	Retained earnings	Total equity
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 June 2021		15,419	(996)	(164)	6,787	21,046
Profit for the financial period		-	-	-	3,609	3,609
Total comprehensive income for the financial period		-	-	-	3,609	3,609
Contributions by and distributions to owners						
Dividends		-	-	-	(3,425)	(3,425)
Total transactions with owners		-	-	-	(3,425)	(3,425)
Balance at 30 November 2021		15,419	(996)	(164)	6,971	21,230
Company		Share capital	Treasury shares	Capital reserve	Retained earnings	Total equity
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 June 2020		15,419	(541)	(7)	3,775	18,646
Profit for the financial period		-	-	-	3,047	3,047
Total comprehensive income for the financial period		-	-	-	3,047	3,047
Contributions by and distributions to owners						
Acquisition of a subsidiary		-	313	(157)	-	156
Purchase of treasury shares		-	(424)	-	-	(424)
Dividends		-	-	-	(1,057)	(1,057)
Total transactions with owners		-	(111)	(157)	(1,057)	(1,325)
Balance at 30 November 2020		15,419	(652)	(164)	5,765	20,368

D. Condensed interim consolidated statement of cash flows for the Group

	6 months ended	
	30 November 2021	30 November 2020
	S\$'000	S\$'000
Operating activities		
Profit before income tax	5,512	5,910
Adjustments for:		
Amortisation of intangible assets	2	4
Depreciation of plant and equipment	263	219
Depreciation of right-of-use assets	597	511
Dividend income from a joint venture	-	(15)
Dividend income from financial assets at FVTPL	(592)	(294)
Fair value gain on financial assets at FVTPL	(689)	(1,542)
Loss on disposal of plant and equipment	16	-
Loss/(gain) on lease modification	7	(1)
Interest expense	98	100
Interest income	(81)	(35)
Inventories written off	8	5
Reversal of loss allowance made for third parties trade receivables	-	(2)
Plant and equipment written off	43	1
Reversal of provision for reinstatement not utilised	(16)	-
Rent concession	(7)	-
Operating cash flows before working capital changes	5,161	4,861
Working capital changes:		
Inventories	(36)	106
Trade and other receivables	517	(1,589)
Prepayments	(53)	(52)
Trade and other payables	(837)	772
Cash generated from operations	4,752	4,098
Income tax paid	(726)	(324)
Net cash from operating activities	4,026	3,774
Investing activities		
Acquisition of subsidiaries, net of cash acquired	-	(561)
Acquisition of additional equity interests in subsidiaries	(2,512)	-
Dividend received from a joint venture	-	15
Dividend received from financial assets at FVTPL	339	294
Interest received	58	20
Proceeds from disposal of plant and equipment	20	-
Purchase of plant and equipment	(169)	(164)
Net cash used in investing activities	(2,264)	(396)
Financing activities		
Dividends paid to owners of the parent	(3,425)	(1,057)
Dividends paid to non-controlling interests	(1,023)	(98)
Interest paid	(47)	(49)
Purchase of treasury shares	-	(424)
Repayment of bank borrowings	(603)	-
Repayment of principal portion of lease liabilities	(573)	(528)
Repayment of interest portion of lease liabilities	(51)	(50)
Net cash used in financing activities	(5,722)	(2,206)
Net change in cash and cash equivalents	(3,960)	1,172
Cash and cash equivalents at beginning of financial period	10,988	6,788
Cash and cash equivalents at end of financial period	7,028	7,960

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

HC Surgical Specialists Limited (the “**Company**”) is a public limited company incorporated and domiciled in Singapore. The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). These condensed interim consolidated financial statements as at and for the six months ended 30 November 2021 comprise the Company and its subsidiaries (collectively, the “**Group**”).

The primary activity of the Company is that of an investment holding company. The principal activities of the Group are those of providing specialised medical services (including day surgical centres), clinics and other general medical services.

The financial information contained in this announcement has neither been audited nor reviewed by the Company's auditors. The latest audited annual financial statements of the Group were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 November 2021 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the latest audited annual financial statements for the year ended 31 May 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency.

2.1 New and amended standards adopted by the Group

A number of amendments to standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 May 2021.

E. Notes to the condensed interim consolidated financial statements (continued)

2. Basis of Preparation (continued)

2.2 Use of judgements and estimates (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 11 – Fair value of financial assets measured at fair value through profit or loss (“FVTPL”)

3. Seasonal operations

The Group’s businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

4.1 Business and geographical segments

Not applicable, the Group has only a single business segment and one geographical segment.

4.2 Disaggregation of revenue

	Group	
	6 months ended	
	30 November 2021	30 November 2020
	S\$'000	S\$'000
<u>Type of goods or services</u>		
Provision of medical services	10,409	10,980
<u>Timing of transfer of goods and services</u>		
Point in time	10,409	10,980

E. Notes to the condensed interim consolidated financial statements (continued)

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 November 2021 and 31 May 2021:

	Group		Company	
	30 November 2021	31 May 2021	30 November 2021	31 May 2021
	S\$'000	S\$'000	S\$'000	S\$'000
Financial Assets				
Debt instruments at amortised cost	1,882	1,882	1,882	1,882
Derivative financial instruments	1,242	1,242	1,485	2,350
Financial assets at FVTPL	9,575	8,260	9,575	8,260
Financial assets at amortised cost	9,101	13,783	4,921	8,766
	<u>21,800</u>	<u>25,167</u>	<u>17,863</u>	<u>21,258</u>
Financial Liabilities				
Financial liabilities designated at FVTPL	28	28	28	28
Other financial liabilities at amortised cost	21,301	23,333	14,183	6,726
	<u>21,329</u>	<u>23,361</u>	<u>14,211</u>	<u>6,754</u>

6. Profit before income tax

6.1 Significant items

	Group	
	30 November 2021	30 November 2020
	S\$'000	S\$'000
Other income		
Government grants	385	299
Dividend income	592	309
Interest income	81	35
Other expenses		
Loss/(gain) on lease modification	7	(1)
Loss on disposal of plant and equipment	16	-
Plant and equipment written off	43	1

6.2 Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

E. Notes to the condensed interim consolidated financial statements (continued)

7. Income tax expense

	Group	
	6 months ended	
	30 November 2021	30 November 2020
	S\$'000	S\$'000
<u>Current income tax</u>		
- current financial year	634	658
- over provision in prior financial years	(5)	(2)
	629	656
<u>Deferred tax</u>		
- current financial year	(14)	-
- over provision in prior financial years	-	(7)
	(14)	(7)
Total income tax expense recognised in consolidated statement of comprehensive income	615	649

8. Dividends

	Group	
	6 months ended	
	30 November 2021	30 November 2020
	S\$'000	S\$'000
Final tax-exempt dividend of S\$0.007 per ordinary share for financial year ended 31 May 2020	-	1,057
Final tax-exempt dividend of S\$0.023 per ordinary share for financial year ended 31 May 2021	3,425	-
	3,425	1,057

9. Earnings per share

	Group	
	Half Year Ended	
	30 November 2021	30 November 2020
	(Unaudited)	(Unaudited)
Earnings per share ("EPS")		
Profit attributable to owners of the parent (S\$)	4,642,000	5,000,000
Weighted average number of ordinary shares in issue	148,892,230	150,644,943
Basic EPS (cents per share)	3.12	3.32
Fully diluted EPS (cents per share)	3.12	3.32

The calculations of basic earnings per share for the relevant periods are based on profit attributable to owners of the parent for the financial period ended divided by the weighted average number of ordinary shares in the relevant periods.

The diluted earnings per share for the relevant periods are same as the basic earnings per share as the Group does not have any dilutive options for the relevant periods.

E. Notes to the condensed interim consolidated financial statements (continued)

10. Net asset value

Net asset value ("NAV")	Group		Company	
	30 November 2021 (Unaudited)	31 May 2021 (Audited)	30 November 2021 (Unaudited)	31 May 2021 (Audited)
NAV (S\$)	8,688,000	9,826,000	21,230,000	21,046,000
Number of ordinary shares in issue	148,892,230	148,892,230	148,892,230	148,892,230
NAV per ordinary share (S\$ cents)	5.84	6.60	14.26	14.14

11. Financial assets at FVTPL

Financial assets at FVTPL comprise the following:

	Group and Company	
	30 November 2021 S\$'000	31 May 2021 S\$'000
Balance at beginning of financial period/year	8,260	7,813
Additions	694	-
Capital reduction	(68)	(16)
Fair value gain	689	463
Balance at end of financial period/year	9,575	8,260

Financial assets at FVTPL increased mainly due to investment in Nuffield Dental Holdings Pte. Ltd. ("Nuffield") of approximately S\$0.69 million in October 2021 and fair value gain of approximately S\$0.69 million, which was partially offset by a capital reduction of S\$68,000.

11.1 Fair value measurement

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).

The table below classified financial assets at fair value through profit or loss by level of fair value hierarchy as at end of the reporting period:

	Fair value measurements using			Total S\$'000
	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	
30 November 2021				
Financial Assets				
Financial assets at FVTPL				
- Quoted equity securities	7,888	-	-	7,888
- Unquoted equity securities	-	-	1,687	1,687
	7,888	-	1,687	9,575
31 May 2021				
Financial Assets				
Financial assets at FVTPL				
- Quoted equity securities	7,708	-	-	7,708
- Unquoted equity securities	-	-	552	552

7,708	-	552	8,260
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E. Notes to the condensed interim consolidated financial statements (continued)

12. Intangible assets

	Goodwill S\$'000	Computer software S\$'000	Total S\$'000
Group			
Cost			
Balance at 1 June 2021	5,917	56	5,973
Written off	-	(12)	(12)
Balance at 30 November 2021	5,917	44	5,961
Accumulated amortisation and impairment			
Balance at 1 June 2021	1,137	50	1,187
Amortisation	-	2	2
Written off	-	(12)	(12)
Balance at 30 November 2021	1,137	40	1,177
Net carrying amount			
Balance at 30 November 2021	4,780	4	4,784
Group			
Cost			
Balance at 1 June 2020	5,186	99	5,285
Arising from acquisition of a subsidiary	731	-	731
Written off	-	(43)	(43)
Balance at 31 May 2021	5,917	56	5,973
Accumulated amortisation and impairment			
Balance at 1 June 2020	1,137	86	1,223
Amortisation	-	7	7
Written off	-	(43)	(43)
Balance at 31 May 2021	1,137	50	1,187
Net carrying amount			
Balance at 31 May 2021	4,780	6	4,786
Computer software			
	30 November 2021	31 May 2021	
	S\$'000	S\$'000	
Company			
Cost			
Balance at beginning and end of financial period/year	13	13	
Accumulated amortisation			
Balance at beginning of financial period/year	8	5	
Amortisation	2	3	
Balance at end of financial period/year	10	8	
Net carrying amount			
Balance at end of financial period/year	3	5	

E. Notes to the condensed interim consolidated financial statements (continued)

13. Plant and equipment

During the six months ended 30 November 2021, the Group acquired assets amounting to S\$169,000 (30 November 2020: S\$164,000), disposed assets amounting to S\$36,000 (30 November 2020: S\$Nil), and wrote off assets amounting to S\$43,000 (30 November 2020: S\$1,000).

14. Bank borrowings

	Group and Company	
	30 November 2021	31 May 2021
	S\$'000	S\$'000
<u>Amount repayable within one year or on demand</u>		
Secured	-	-
Unsecured	1,225	1,250
<u>Amount repayable after one year</u>		
Secured	-	-
Unsecured	3,172	3,750

The Group and the Company had drawn down term loan amounted to S\$5 million on 6 May 2020. It is repayable over 48 months commencing from June 2021 to May 2025 and the loan interest is charged at a fixed rate of 2% per annum. The term loan is subject to financial covenants imposed by the bank.

The fair value of the Group and the Company's bank borrowings approximate their carrying amounts as they are at market lending rates for similar types of lending or borrowing at the end of the reporting period.

15. Share capital

	Group and Company			
	30 November 2021	31 May 2021	30 November 2021	31 May 2021
	Number of ordinary shares		S\$'000	S\$'000
	('000)			
Issued and fully-paid:				
Balance at beginning and end of financial period/year	151,396	151,396	15,419	15,419

There were 2,503,400 treasury shares (representing 1.68% of the Company's 148,892,230 ordinary shares (excluding treasury shares)) as at 30 November 2021 and 1,718,300 treasury shares (representing 1.15% of the Company's 149,677,330 ordinary shares (excluding treasury shares)) as at 30 November 2020.

There are no subsidiary holdings as at 30 November 2021 and 30 November 2020.

There were no outstanding convertibles as at 30 November 2021 and 30 November 2020.

15.1 Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

	As at 30 November 2021	As at 31 May 2021

Total number of issued shares	148,892,230	148,892,230
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E. Notes to the condensed interim consolidated financial statements (continued)

15. Share capital (continued)

15.2 A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on

There were no sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

15.3 A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on

Not applicable. There were no subsidiary holdings during and as at the end of the current financial period reported on.

16. Investments in subsidiaries

Acquisition of non-controlling interests

On 23 August 2021, the Company entered into a sale and purchase agreement to acquire the remaining 49.0% of the issued and fully paid-up capital in Jason Lim Endoscopy and Surgery Pte. Ltd. (“JLES”). The consideration for the additional acquisition amounted to S\$9,059,471 (the “**Consideration**”), payable in cash to Jason Lim Holdings Pte. Ltd. and in shares to Dr. Jason Lim (“**Dr. Lim**” and together with Jason Lim Holdings Pte. Ltd., the “**Vendors**”) in the following manner: (i) S\$1,000,000 cash payment on the date of completion of the acquisition (the “**Completion Date**”); (ii) 20.0% of the Consideration in cash 1 year after the Completion Date or such other date as agreed between the Company and the Vendors; and (iii) balance cash payment and the issuance of such number of shares in the share capital of the Company, equivalent to approximately 20.0% of the Consideration (the “**Consideration Shares**”), credited as fully paid to Dr. Lim, at an issue price equal to the weighted average share price of the Company for the full market day on the day before the issuance of the Consideration Shares, 2 years after the Completion Date or such other date as agreed between the Company and the Vendors. Upon completion of the acquisition, JLES became a wholly-owned subsidiary of the Company.

On 17 September 2021, the Company entered into a sale and purchase agreement to acquire the remaining 49.0% of the issued and fully paid-up capital in Medical L & C Services Pte. Ltd. (“**MLCS**”), with an aggregate cash consideration of approximately S\$1,512,000. Upon completion of the acquisition, MLCS became a wholly-owned subsidiary of the Company.

	Acquisition on		Total
	23 August 2021	17 September 2021	
	S\$'000	S\$'000	S\$'000
Carrying amount of non-controlling interests acquired	*	28	
Consideration for the acquisition of non-controlling interests	(9,059)	(1,512)	
Premium on acquisition of non-controlling interests recognized in equity	(9,059)	(1,484)	(10,543)

* Amount less than S\$1,000

E. Notes to the condensed interim consolidated financial statements (continued)

16. Investments in subsidiaries (continued)

Acquisition of non-controlling interests (continued)

The difference of approximately S\$10,543,000 between the consideration and the carrying amount of non-controlling interest acquired has been recognised as “Acquisition of non-controlling interests without a change in control” within the statement of changes in equity; and this included an amount of S\$8,188,000 being reclassified from Other Reserve to Capital Reserve upon the derecognition of the forward contracts.

The effect of acquisitions of non-controlling interests on the consolidated statement of cash flows was as follows:

	6 months ended 30 November 2021 S\$'000
Total purchase consideration	10,571
Less: unpaid	(8,059)
Net cash outflow on acquisition	<u>2,512</u>

Movement in allowance for impairment loss

As at the end of the reporting period, the Company carried out a review of the investment in subsidiaries, having regard for indicators of impairment on investments in subsidiaries based on the existing performance of subsidiaries. Following the review, an impairment loss of approximately S\$327,000 was recognised in respect of a subsidiary. The recoverable amount of the subsidiary is determined from value-in-use calculations using management-approved discounted cash flow projections covering a period of 5 years and projection to terminal year. The key assumptions for this value-in-use calculations are those regarding revenue growth rates, which are based on management’s best estimate, and discount rates that reflect current market assessment of the time value of money and the risks specific to the cash generating unit.

17. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

F. Other information required pursuant to Appendix 7C of the Catalist Rules

1. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The condensed consolidated statement of financial position of HC Surgical Specialists Limited and its subsidiaries as at 30 November 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Review for the performance of the Group for the six months ended 30 November 2021 ("HY2022") as compared to the six months ended 30 November 2020 ("HY2021").

The decrease in revenue of approximately S\$0.57 million was mainly due to the decrease in the number of patients selecting to pursue elective medical treatment in view of the heightened COVID-19 alerts and increased community cases during the six-month financial period.

Other income increased by S\$427,000 due mainly to higher grants (including the Jobs Support Scheme and Rental Support Scheme) of S\$86,000; higher dividend income from investment in financial assets at FVTPL of S\$283,000; and higher interest income of S\$46,000.

In HY2022, the fair value gain on financial assets at FVTPL of approximately S\$0.69 million was due to the increase in share price of Medinex Limited ("**Medinex**") in which the Company holds a direct interest of 22.92% and a deemed interest of 9.50% of Medinex's total issued share capital; increase in share price of Singapore Paincare Holdings Limited ("**SPCH**") in which the Company holds a direct interest of 3.31% of SPCH's total issued share capital; and fair value gain on Acumen Holdings Pte. Ltd. In HY2021, the fair value gain on financial assets at FVTPL of approximately S\$1.54 million arose primarily due to (i) the increase in share price of Medinex; and (ii) the increase in fair value of investment in SPCH subsequent to its listing on the Catalist Board of the Singapore Exchange Securities Trading Limited on 30 July 2020 based on the quoted market share price.

Inventories, consumables and surgery expenses increased by approximately S\$0.12 million mainly due to increase in purchase of medication and higher surgery expenses during HY2022.

Employee benefits expenses decreased by approximately S\$0.28 million due to lower provision of bonus for the current financial period.

The increase in depreciation and amortisation expenses by approximately S\$0.13 million was due to

recognition of additional lease liabilities for new and renewed tenancy agreements entered in the previous financial year for clinic premises, as well as purchase of plant and equipment during HY2022.

The Group had incurred lease expenses of S\$36,000 in HY2022 as compared to a credit of S\$41,000 in the lease expenses due to rental reliefs received in HY2021.

Other expenses decreased by S\$508,000 in HY2022 due to lower professional fees as compared to HY2021.

As a result of the abovementioned, profit before income tax decreased by approximately S\$0.40 million or 6.7% in HY2022 as compared to HY2021.

Income tax expense decreased by S\$34,000 or 5.2% due to lower taxable profit recorded in HY2022 as compared to HY2021.

As a result of the abovementioned, profit after income tax decreased by approximately S\$0.36 million or 6.9% in HY2022 as compared to HY2021.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 30 November 2021 and 31 May 2021.

Plant and equipment decreased from approximately S\$1.87 million as at 31 May 2021 to S\$1.70 million as at 30 November 2021 due to depreciation, write off and disposal of plant and equipment; partially offset by additions of plant and equipment for existing clinics.

Right-of-use (“**ROU**”) assets decreased by approximately S\$0.69 million mainly due to depreciation of ROU assets for the existing clinics and write-off of ROU assets upon early termination of lease for a clinic.

Investment in joint ventures decreased by S\$90,000 due to derecognition of investment in approximately 27.8% equity interests of Zenmedic Capital Pte. Ltd (“**Zenmedic**”) upon conversion of the redeemable convertible loan in consideration of the issuance of new shares in Nuffield in October 2021.

Financial assets at FVTPL increased mainly due to investment in Nuffield of approximately S\$0.69 million in October 2021 and fair value gain of approximately S\$0.69 million, which was partially offset by a capital reduction of S\$68,000.

Trade and other receivables decreased by approximately S\$0.78 million due to derecognition of loan to Zenmedic upon conversion of the redeemable convertible loan in consideration of the issuance of new shares in Nuffield in October 2021.

Capital reserve decreased by approximately S\$10.54 million mainly due to the acquisitions of an additional (i) 49.0% equity interest in JLES in August 2021 and (ii) 49.0% equity interest in MLCS in September 2021.

Other reserve increased by approximately S\$8.19 million due to derecognition of financial liabilities for forward purchase contracts of JLES and MLCS.

Current and non-current other financial liabilities comprise present value of forward purchase contracts of subsidiaries relating to certain contractual payment obligations due under the

acquisition terms for the relevant subsidiaries. The decrease from approximately S\$12.12 million as at 31 May 2021 to S\$3.94 million as at 30 November 2021 was due to derecognition of financial liabilities of two forward purchase contracts, as the obligations had been discharged for the relevant subsidiaries.

Other payables of approximately S\$6.25 million as at 30 November 2021 related to outstanding purchase consideration for the acquisition of an additional 49.0% equity interest in JLES.

Trade and other payables increased by approximately S\$0.97 million mainly due to outstanding purchase consideration for acquisition of additional 49.0% equity interest in JLES of S\$1.81 million. This was partially offset by decreased in trade payables, in line with decreased revenue; and lower provision of bonus for the current financial period.

Current and non-current lease liabilities decreased by approximately S\$0.66 million due to repayments made in HY2022.

CONSOLIDATED STATEMENT OF CASH FLOWS

Review for the performance of the Group for HY2022 as compared to HY2021

The Group recorded net cash from operating activities of S\$4,026,000 in HY2022 as compared to net cash from operating activities of S\$3,774,000 in HY2021, due mainly to higher operating receipts.

Net cash used in investing activities in HY2022 was primarily in relation to the acquisitions of additional 49.0% equity interests in each of JLES and MLCS aggregating to an amount of S\$2,512,000 and the purchase of plant and equipment for existing clinics of S\$169,000. This was partially offset by the dividends and interests received of S\$397,000. The net cash used in investing activities in HY2021 was mainly related to the acquisition of 51.0% equity interests in GMH Endoscopy & Surgery Pte. Ltd. of S\$561,000 and the purchase of plant and equipment for new clinics of S\$164,000.

Net cash used in financing activities in HY2022 was mainly related to (i) the payment of final dividends of S\$3,425,000 to shareholders for the financial year ended 31 May 2021; (ii) dividends paid to non-controlling interests of S\$1,023,000; (iii) repayment of bank borrowings of S\$603,000; and (iv) repayments of obligations (including the interest portion) under leases of S\$624,000.

Overall, the Group recorded a net decrease in cash and cash equivalents of S\$3,960,000 in HY2022, resulting in cash and cash equivalents of S\$7,028,000 as at 30 November 2021.

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable as no forecast or a prospect statement has been disclosed previously.

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months

With the recent Omicron COVID-19 variant spreading and affecting both the vaccinated and unvaccinated, there are plans to accelerate the COVID-19 booster vaccination programme to strengthen protection for vaccinated individuals. Furthermore, COVID-19 vaccine bookings are made available for children aged five to eleven starting 22 December 2021. With effect from January 2022, 50% of the employees who can work-from-home can return to the office, provided they are fully vaccinated. All the above-mentioned are necessary as Singapore transits to live with COVID-19. As

the situation stabilises, it is envisioned that businesses, including the Group's, are expected to pick up.

The COVID-19 pandemic will not be entirely eradicated in the short-term, but people will learn to live with COVID-19 and resume most of their daily activities in the next 12 months. The Group will remain vigilant and continue to strengthen its core competencies to provide good service to all its patients.

5. Dividend

If a decision regarding dividend has been made: -

- (a) Whether an interim (final) dividend has been declared (recommended); and

Yes.

Name of Dividend	Interim
Dividend Type	Ordinary
Dividend Amount per Share (in S\$ cents)	1.40 cents per ordinary share (one tier tax exempt)
Tax Rate	Tax Exempt

- (b) (i) Amount per share

Please refer to paragraph 5(a)

- (ii) Previous corresponding period

Name of Dividend	Interim
Dividend Type	Ordinary
Dividend Amount per Share (in S\$ cents)	1.70 cents per ordinary share (one tier tax exempt)
Tax Rate	Tax Exempt

- (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (if the dividend is not taxable in the hands of shareholders, this must be stated.)

Please refer to paragraph 5(a).

- (d) The date the dividend is payable.

The dividend will be paid on 28 January 2022.

- (e) The date on which Registrable Transfers received by the Company (up to 5.00 p.m.) will be registered before entitlements to the dividend are determined.

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed at 5.00 p.m. on 19 January 2022 for the purpose of determining shareholders' entitlements to the interim dividends.

Duly completed registrable transfers received by the Company's Share Registrar, Tricor Singapore Pte. Ltd., 80 Robinson Road #02-00, Singapore 068898, up to the close of business at 5.00 p.m. on 19 January 2022, will be registered to determine shareholders' entitlements to the interim dividend.

Shareholders (being depositors) whose securities accounts with the Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 19 January 2022 will be entitled to the interim dividend.

6. Interested person transactions

The Group does not have a general mandate from shareholders for interested person transactions ("IPT").

There were no IPTs of S\$100,000 and above entered into in HY2022.

7. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has procured undertakings from all of its directors and executive officers in the required format.

8. Negative Confirmation by the Board Pursuant to Rule 705(5) of the Catalist Rules

The Board of Directors of the Company confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited interim financial statements for HY2022 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Dr. Heah Sieu Min
Executive Director and Chief Executive Officer

Dr. Chia Kok Hoong
Executive Director and Medical Director

Singapore
11 January 2022

About HC Surgical Specialists Limited

HC Surgical Specialists Limited (the "Company") was incorporated on 1 September 2015 in Singapore and listed on Catalist of the Singapore Exchange Securities Trading Limited on 3 November 2016. The Company, its subsidiaries and associated company are a medical services group primarily engaged in the provision of endoscopic procedures, including gastroscopies and colonoscopies and general surgery services with a focus on colorectal procedures across a network of 16 clinics located throughout Singapore.

This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "Sponsor"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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