



HC Surgical Specialists Limited

**Condensed interim financial statements
For the six months and full year ended 31 May 2022**

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

		Group					
		Six months ended			12 months ended		
	Note	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Unaudited) S\$'000	Change %	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Audited) S\$'000	Change %
Revenue	4.2	8,902	12,378	-28.1%	19,311	23,358	-17.3%
Other items of income							
Other income		327	484	-32.4%	1,456	1,186	22.8%
Fair value gain on derecognition of financial assets		379	-	N.M.	379	-	N.M.
Fair value gain/(loss) on financial assets at FVTPL		(81)	(1,079)	-92.5%	608	463	31.3%
Fair value loss on derivative financial instruments		-	(679)	N.M.	-	(679)	N.M.
Gain on modification of debt instruments at amortised cost		-	32	N.M.	-	32	N.M.
Gain on modification of other financial liabilities		-	537	N.M.	-	537	N.M.
Items of expense							
Changes in inventories		23	(34)	N.M.	51	(145)	N.M.
Inventories, consumables and surgery expenses		(1,259)	(1,621)	-22.3%	(2,695)	(2,933)	-8.1%
Employee benefits expense		(3,328)	(3,733)	-10.8%	(6,823)	(7,507)	-9.1%
Depreciation and amortisation expenses		(807)	(981)	-17.7%	(1,669)	(1,715)	-2.7%
Lease expenses		(21)	122	N.M.	(57)	163	N.M.
Other expenses		(1,525)	(960)	58.9%	(2,341)	(2,284)	2.5%
Finance costs		(376)	(108)	248.1%	(474)	(208)	127.9%
Profit before income tax	6.1	2,234	4,358	-48.7%	7,746	10,268	-24.6%
Income tax expense	7	(329)	(765)	-57.0%	(944)	(1,414)	-33.2%
Profit for the financial period/year, representing total comprehensive income for the financial period/year		1,905	3,593	-47.0%	6,802	8,854	-23.2%
Profit and total comprehensive income attributable to:							
Owners of the parent		1,737	3,000	-42.1%	6,379	8,000	-20.3%
Non-controlling interests		168	593	-71.7%	423	854	-50.5%
		1,905	3,593	-47.0%	6,802	8,854	-23.2%
Earnings per share (in cents)							
- Basic and diluted	9	1.17	2.01	-41.9%	4.28	5.33	-19.7%

N.M. – Not meaningful

B. Condensed interim statements of financial position

	Note	Group		Company	
		31 May 2022 (Unaudited)	31 May 2021 (Audited)	31 May 2022 (Unaudited)	31 May 2021 (Audited)
		S\$'000	S\$'000	S\$'000	S\$'000
ASSETS					
Non-current assets					
Plant and equipment	11	1,496	1,872	12	23
Intangible assets	12	4,037	4,786	2	5
Right-of-use assets		2,383	3,002	99	159
Investments in subsidiaries	13	-	-	14,339	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	14	10,044	8,260	10,044	8,260
Deferred tax assets		99	75	-	-
Derivative financial instruments	15	1,242	1,242	1,738	1,856
Other receivables		-	-	36	172
		<u>21,845</u>	<u>21,871</u>	<u>28,814</u>	<u>18,869</u>
Current assets					
Inventories		376	325	-	-
Trade and other receivables		1,556	2,851	1,909	3,473
Prepayments		255	246	114	106
Derivative financial instruments	15	-	-	-	494
Cash and bank balances		6,928	10,988	2,837	5,132
		<u>9,115</u>	<u>14,410</u>	<u>4,860</u>	<u>9,205</u>
Total assets		<u>30,960</u>	<u>36,281</u>	<u>33,674</u>	<u>28,074</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	16	15,419	15,419	15,419	15,419
Treasury shares		(996)	(996)	(996)	(996)
Merger reserve		(815)	(815)	-	-
Capital reserve	17	(13,652)	(3,930)	(164)	(164)
Other reserve	18	(2,627)	(12,658)	-	-
Retained earnings		13,676	12,806	6,383	6,787
Equity attributable to owners of the parent		<u>11,005</u>	<u>9,826</u>	<u>20,642</u>	<u>21,046</u>
Non-controlling interests		216	922	-	-
Total equity		<u>11,221</u>	<u>10,748</u>	<u>20,642</u>	<u>21,046</u>

B. Condensed interim statements of financial position (continued)

	Note	Group		Company	
		31 May 2022 (Unaudited)	31 May 2021 (Audited)	31 May 2022 (Unaudited)	31 May 2021 (Audited)
		S\$'000	S\$'000	S\$'000	S\$'000
Non-current liabilities					
Deferred tax liabilities		98	127	-	-
Derivative financial instruments	15	28	28	28	28
Other financial liabilities	19	2,096	11,950	-	-
Other payables	20	5,723	-	5,723	-
Bank borrowings	21	2,550	3,750	2,550	3,750
Provisions		106	122	21	21
Lease liabilities		1,492	1,878	76	274
		<u>12,093</u>	<u>17,855</u>	<u>8,398</u>	<u>4,073</u>
Current liabilities					
Trade and other payables		4,436	3,643	3,060	1,224
Other financial liabilities	19	-	171	-	-
Bank borrowings	21	1,237	1,250	1,237	1,250
Lease liabilities		973	1,167	198	340
Current income tax payable		1,000	1,447	139	141
		<u>7,646</u>	<u>7,678</u>	<u>4,634</u>	<u>2,955</u>
Total liabilities		<u>19,739</u>	<u>25,533</u>	<u>13,032</u>	<u>7,028</u>
Total equity and liabilities		<u>30,960</u>	<u>36,281</u>	<u>33,674</u>	<u>28,074</u>

C. Condensed interim statements of changes in equity

Group (Unaudited)	Note	Share capital S\$'000	Treasury shares S\$'000	Merger reserve S\$'000	Capital reserve S\$'000	Other reserve S\$'000	Retained earnings S\$'000	Equity	Non-	Total
								attributable to owners of the Company S\$'000	controlling interests S\$'000	equity 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 year		-	-	-	-	-	6,379	6,379	423	6,802
Total comprehensive income for the financial year		-	-	-	-	-	6,379	6,379	423	6,802
Distributions to owners										
Dividends	8	-	-	-	-	-	(5,509)	(5,509)	-	(5,509)
Total transactions with owners		-	-	-	-	-	(5,509)	(5,509)	-	(5,509)
Transactions with non-controlling interests										
Acquisition of non-controlling interests without a change in control		-	-	-	(9,722)	8,188	-	(1,534)	(33)	(1,567)
Dividends		-	-	-	-	-	-	-	(1,096)	(1,096)
Total transactions with non-controlling interests		-	-	-	(9,722)	8,188	-	(1,534)	(1,129)	(2,663)
Others										
Present value of forward purchase contract		-	-	-	-	1,843	-	1,843	-	1,843
Total others		-	-	-	-	1,843	-	1,843	-	1,843
Balance at 31 May 2022		15,419	(996)	(815)	(13,652)	(2,627)	13,676	11,005	216	11,221
Group (Unaudited)										
	Note	Share capital S\$'000	Treasury shares S\$'000	Merger reserve S\$'000	Capital reserve S\$'000	Other reserve S\$'000	Retained earnings S\$'000	Equity attributable to owners of the Company S\$'000	Non- controlling interests S\$'000	Total equity S\$'000
Balance at 1 December 2021		15,419	(996)	(815)	(14,473)	(4,470)	14,023	8,688	121	8,809
Profit for the financial period		-	-	-	-	-	1,737	1,737	168	1,905
Total comprehensive income for the financial period		-	-	-	-	-	1,737	1,737	168	1,905
Distributions to owners										
Dividends	8	-	-	-	-	-	(2,084)	(2,084)	-	(2,084)
Total transactions with owners		-	-	-	-	-	(2,084)	(2,084)	-	(2,084)
Transactions with non-controlling interests										
Acquisition of non-controlling interests without a change in control		-	-	-	821	-	-	821	-	821
Dividends		-	-	-	-	-	-	-	(73)	(73)
Total transactions with non-controlling interests		-	-	-	821	-	-	821	(73)	748
Others										
Present value of forward purchase contract		-	-	-	-	1,843	-	1,843	-	1,843
Total others		-	-	-	-	1,843	-	1,843	-	1,843
Balance at 31 May 2022		15,419	(996)	(815)	(13,652)	(2,627)	13,676	11,005	216	11,221

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

Group (Audited)	Note	Share	Treasury	Merger	Capital	Other	Retained	Equity	Non-	Total
		capital	shares	reserve	reserve	reserve	earnings	attributable to	controlling	equity
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	owners of the	interests	S\$'000
								Company		
Balance at 1 June 2020		15,419	(541)	(815)	(3,773)	(2,417)	8,408	16,281	264	16,545
Profit for the financial year		-	-	-	-	-	8,000	8,000	854	8,854
Total comprehensive income for the financial year		-	-	-	-	-	8,000	8,000	854	8,854
Distributions to owners										
Acquisition of a subsidiary		-	313	-	(157)	-	-	156	-	156
Purchase of treasury shares		-	(768)	-	-	-	-	(768)	-	(768)
Dividends	8	-	-	-	-	-	(3,602)	(3,602)	-	(3,602)
Total transactions with owners		-	(455)	-	(157)	-	(3,602)	(4,214)	-	(4,214)
Transactions with non-controlling interests										
Dividends		-	-	-	-	-	-	-	(196)	(196)
Total transactions with non-controlling interests		-	-	-	-	-	-	-	(196)	(196)
Others										
Present value of forward purchase contract		-	-	-	-	(10,241)	-	(10,241)	-	(10,241)
Total others		-	-	-	-	(10,241)	-	(10,241)	-	(10,241)
Balance at 31 May 2021		15,419	(996)	(815)	(3,930)	(12,658)	12,806	9,826	922	10,748
Group (Unaudited)										
	Note	Share	Treasury	Merger	Capital	Other	Retained	Equity	Non-	Total
		capital	shares	reserve	reserve	reserve	earnings	attributable to	controlling	equity
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	owners of the	interests	S\$'000
								Company		
Balance at 1 December 2020		15,419	(652)	(815)	(3,930)	(2,417)	12,351	19,956	427	20,383
Profit for the financial period		-	-	-	-	-	3,000	3,000	593	3,593
Total comprehensive income for the financial period		-	-	-	-	-	3,000	3,000	593	3,593
Distributions to owners										
Purchase of treasury shares		-	(344)	-	-	-	-	(344)	-	(344)
Dividends	8	-	-	-	-	-	(2,545)	(2,545)	-	(2,545)
Total transactions with owners		-	(344)	-	-	-	(2,545)	(2,889)	-	(2,889)
Transactions with non-controlling interests										
Dividends		-	-	-	-	-	-	-	(98)	(98)
Total transactions with non-controlling interests		-	-	-	-	-	-	-	(98)	(98)
Others										
Present value of forward purchase contract		-	-	-	-	(10,241)	-	(10,241)	-	(10,241)
Total others		-	-	-	-	(10,241)	-	(10,241)	-	(10,241)
Balance at 31 May 2021		15,419	(996)	(815)	(3,930)	(12,658)	12,806	9,826	922	10,748

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

Company (Unaudited)		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 year		-	-	-	5,105	5,105
Total comprehensive income for the financial year		-	-	-	5,105	5,105
Distributions to owners						
Dividends	8	-	-	-	(5,509)	(5,509)
Total transactions with owners		-	-	-	(5,509)	(5,509)
Balance at 31 May 2022		15,419	(996)	(164)	6,383	20,642

Company (Unaudited)		Share capital	Treasury shares	Capital reserve	Retained earnings	Total equity
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 December 2021		15,419	(996)	(164)	6,971	21,230
Profit for the financial period		-	-	-	1,496	1,496
Total comprehensive income for the financial period		-	-	-	1,496	1,496
Distributions to owners						
Dividends	8	-	-	-	(2,084)	(2,084)
Total transactions with owners		-	-	-	(2,084)	(2,084)
Balance at 31 May 2022		15,419	(996)	(164)	6,383	20,642

Company (Audited)		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 year		-	-	-	6,614	6,614
Total comprehensive income for the financial year		-	-	-	6,614	6,614
Distributions to owners						
Acquisition of a subsidiary		-	313	(157)	-	156
Purchase of treasury shares		-	(768)	-	-	(768)
Dividends	8	-	-	-	(3,602)	(3,602)
Total transactions with owners		-	(455)	(157)	(3,602)	(4,214)
Balance at 31 May 2021		15,419	(996)	(164)	6,787	21,046

Company (Unaudited)		Share capital	Treasury shares	Capital reserve	Retained earnings	Total equity
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 December 2020		15,419	(652)	(164)	5,765	20,368
Profit for the financial period		-	-	-	3,567	3,567
Total comprehensive income for the financial period		-	-	-	3,567	3,567
Distributions to owners						
Purchase of treasury shares		-	(344)	-	-	(344)
Dividends	8	-	-	-	(2,545)	(2,545)
Total transactions with owners		-	(344)	-	(2,545)	(2,889)
Balance at 31 May 2021		15,419	(996)	(164)	6,787	21,046

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

	Six months ended		12 months ended	
	31 May 2022	31 May 2021	31 May 2022	31 May 2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities				
Profit before income tax	2,234	4,358	7,746	10,268
Adjustments for:				
Allowance for impairment loss on debt instruments at amortised cost	-	150	-	150
Allowance for impairment loss on goodwill	745	-	745	-
Allowance for impairment loss on plant and equipment	7	-	7	-
Allowance for impairment loss on right-of-use assets	12	-	12	-
Amortisation of intangible assets	2	3	4	7
Bad third parties trade receivables written off	3	-	3	-
Depreciation of plant and equipment	242	273	505	492
Depreciation of right-of-use assets	563	705	1,160	1,216
Dividend income from a joint venture	(19)	(8)	(19)	(23)
Dividend income from financial assets at FVTPL	(63)	-	(655)	(294)
Fair value gain on derecognition of financial asset	(379)	-	(379)	-
Fair value loss on derivative financial instruments	-	679	-	679
Fair value (gain)/loss on financial assets at FVTPL	81	1,079	(608)	(463)
Loss/(gain) on disposal of plant and equipment	(1)	(1)	15	(1)
Loss/(gain) on lease modification	-	-	7	(1)
Gain on modification of debt instruments at amortised cost	-	(32)	-	(32)
Gain on modification of other financial liabilities	-	(537)	-	(537)
Interest expense	376	108	474	208
Interest income	(64)	(132)	(145)	(167)
Inventories written off	5	16	13	21
(Reversal of loss allowance)/Loss allowance made for third parties trade receivables	-	1	-	(1)
Plant and equipment written off	4	2	47	3
Reversal of provision for reinstatement not utilised	-	(23)	(16)	(23)
Rent concession	(7)	(196)	(14)	(196)
Operating cash flows before working capital changes	3,741	6,445	8,902	11,306
Working capital changes:				
Inventories	(28)	18	(64)	124
Trade and other receivables	314	759	763	(830)
Prepayments	43	127	(10)	75
Trade and other payables	(179)	160	(1,016)	932
Cash generated from operations	3,891	7,509	8,575	11,607
Income tax paid	(718)	(533)	(1,444)	(857)
Net cash from operating activities	3,173	6,976	7,131	10,750

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

	Six months ended		12 months ended	
	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Unaudited) S\$'000	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Audited) S\$'000
Investing activities				
Acquisition of subsidiaries, net of cash acquired	-	-	-	(561)
Acquisition of additional equity interests in financial assets at FVTPL	(200)	-	(200)	-
Dividend received from a joint venture	19	8	19	23
Dividend received from financial assets at FVTPL	316	-	655	294
Interest received	10	70	68	90
Investment in a joint venture	-	(182)	-	(182)
Proceeds from capital reduction in financial assets at FVTPL	32	16	100	16
Proceeds from disposal of plant and equipment	1	20	21	20
Purchase of plant and equipment	(51)	(347)	(220)	(511)
Net cash from/(used in) investing activities	127	(415)	443	(811)
Financing activities				
Acquisition of additional equity interests in subsidiaries	-	-	(2,512)	-
Dividends paid to owners of the parent	(2,084)	(2,545)	(5,509)	(3,602)
Dividends paid to non-controlling interests	(73)	(98)	(1,096)	(196)
Interest paid	(42)	(50)	(89)	(99)
Purchase of treasury shares	-	(344)	-	(768)
Repayment of bank borrowings	(610)	-	(1,213)	-
Repayment of principal portion of lease liabilities	(551)	(438)	(1,124)	(966)
Repayment of interest portion of lease liabilities	(40)	(58)	(91)	(108)
Net cash used in financing activities	(3,400)	(3,533)	(11,634)	(5,739)
Net change in cash and cash equivalents	(100)	3,028	(4,060)	4,200
Cash and cash equivalents at beginning of financial period/year	7,028	7,960	10,988	6,788
Cash and cash equivalents at end of financial period/year	6,928	10,988	6,928	10,988

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 second half and twelve months ended 31 May 2022 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 second half and twelve months ended 31 May 2022 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 since the last annual financial statements for the year ended 31 May 2021 and performance of the Group since the last interim financial statements for the period ended 30 November 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 12 - Impairment of goodwill
- Note 13 - Impairment of investments in subsidiaries and associate
- Note 14 - Fair value of financial assets measured at fair value through profit or loss ("FVTPL")
- Note 15 – Fair value of derivative financial instruments ("DFI")

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			
	Six months ended		12 months ended	
	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Unaudited) S\$'000	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Audited) S\$'000
<u>Type of goods or services</u>				
Provision of medical services	8,902	12,378	19,311	23,358
<u>Timing of transfer of goods and services</u>				
Point in time	8,902	12,378	19,311	23,358

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

4. Segment and revenue information (continued)

4.2 Disaggregation of revenue (continued)

A breakdown of revenue and profit after tax for first half year and second half year:

	Group		
	12 months ended		
	31 May 2022 S\$'000	31 May 2021 S\$'000	Increase/ (Decrease) %
(a) Sales reported for the first half year	10,409	10,980	-5.2%
(b) Operating profit after tax before deducting minority interests reported for first half year	4,897	5,261	-6.9%
(c) Sales reported for the second half year	8,902	12,378	-28.1%
(d) Operating profit after tax before deducting minority interests reported for second half year	1,905	3,593	-47.0%

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 May 2022 and 31 May 2021:

	Group		Company	
	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Audited) S\$'000	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Audited) S\$'000
Financial Assets				
Debt instruments at amortised cost	1,882	1,882	1,882	1,882
Fair value through profit or loss				
- Derivative financial instruments	1,242	1,242	1,738	2,350
Financial assets at FVTPL	10,044	8,260	10,044	8,260
Financial assets at amortised cost	8,484	13,783	4,782	8,766
	<u>21,652</u>	<u>25,167</u>	<u>18,446</u>	<u>21,258</u>
Financial Liabilities				
Financial liabilities designated at FVTPL	28	28	28	28
Other financial liabilities at amortised cost	18,263	23,333	12,719	6,726
	<u>18,291</u>	<u>23,361</u>	<u>12,747</u>	<u>6,754</u>

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

6. Profit before income tax

6.1 Significant items

	Group			
	Six months ended		12 months ended	
	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Unaudited) S\$'000	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Audited) S\$'000
Other income				
Government grants	93	247	478	546
Dividend income	82	8	674	317
Interest income	64	132	145	167
Other expenses				
Allowance for impairment loss on debt instruments at amortised cost	-	150	-	150
Allowance for impairment loss on goodwill	745	-	745	-
Allowance for impairment loss on plant and equipment	7	-	7	-
Allowance for impairment loss on right-of-use assets	12	-	12	-
Administrative charges	66	31	126	53
Bad third parties trade receivables written off	3	-	3	-
Credit card charges	66	66	130	127
Loss/(gain) on lease modification	-	-	7	(1)
Loss/(gain) on disposal of plant and equipment	(1)	(1)	15	(1)
IT expenses	50	50	87	92
Plant and equipment written off	4	2	47	3
Professional fees	133	194	254	597

6.2 Related party transactions

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

7. Income tax expense

	Group			
	Six months ended		12 months ended	
	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Unaudited) S\$'000	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Audited) S\$'000
<u>Current income tax</u>				
- current financial year	368	791	1,002	1,449
- over provision in prior financial years	-	(2)	(5)	(4)
	368	789	997	1,445
<u>Deferred tax</u>				
- current financial year	(39)	(27)	(53)	(27)
- over provision in prior financial years	-	3	-	(4)
	(39)	(24)	(53)	(31)
Total income tax expense recognised in consolidated statement of comprehensive income	329	765	944	1,414

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

8. Dividends

	Group			
	Six months ended		12 months ended	
	31 May 2022	31 May 2021	31 May 2022	31 May 2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	S\$'000	S\$'000	S\$'000	S\$'000
Final tax-exempt dividend of S\$0.007 per ordinary share for financial year ended 31 May 2020	-	-	-	1,057
First interim tax-exempt dividend of S\$0.017 per ordinary share for financial year ended 31 May 2021	-	2,545	-	2,545
Final tax-exempt dividend of S\$0.023 per ordinary share for financial year ended 31 May 2021	-	-	3,425	-
First interim tax-exempt dividend of S\$0.014 per ordinary share for financial year ended 31 May 2022	2,084	-	2,084	-
	2,084	2,545	5,509	3,602

9. Earnings per share

	Group			
	Six months ended		12 months ended	
	31 May 2022	31 May 2021	31 May 2022	31 May 2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings per share ("EPS")				
Profit attributable to owners of the parent (S\$)	1,737,000	3,000,000	6,379,000	8,000,000
Weighted average number of ordinary shares in issue	148,892,230	149,285,049	148,892,230	149,966,858
Basic EPS (cents per share)	1.17	2.01	4.28	5.33
Fully diluted EPS (cents per share)	1.17	2.01	4.28	5.33

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.

10. Net asset value

	Group		Company	
	31 May 2022	31 May 2021	31 May 2022	31 May 2021
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Net asset value ("NAV")				
NAV (S\$)	11,005,000	9,826,000	20,642,000	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)	7.39	6.60	13.86	14.14

11. Plant and equipment

During the twelve months ended 31 May 2022, the Group acquired assets amounting to S\$220,000 (31 May 2021: S\$511,000), disposed assets amounting to S\$156,000 (31 May 2021: S\$57,000), and wrote off assets amounting to S\$324,000 (31 May 2021: S\$203,000).

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	-	(25)	(25)
Balance at 31 May 2022	5,917	31	5,948
Accumulated amortisation and impairment			
Balance at 1 June 2021	1,137	50	1,187
Amortisation for the financial year	-	4	4
Impairment loss for the financial year	745	-	745
Written off	-	(25)	(25)
Balance at 31 May 2022	1,882	29	1,911
Net carrying amount			
Balance at 31 May 2022	4,035	2	4,037
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 for the financial year	-	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			
	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Audited) S\$'000	
Company			
Cost			
Balance at beginning and end of financial year	13	13	
Accumulated amortisation			
Balance at beginning of financial year	8	5	
Amortisation for the financial year	3	3	
Balance at end of financial year	11	8	
Net carrying amount			
Balance at end of financial year	2	5	

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

12. Intangible assets (continued)

Amortisation expense was included in “depreciation and amortization” line item of the consolidated statement of comprehensive income.

Goodwill arising from the business combinations was 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. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Audited) S\$'000
Name of subsidiaries		
LAI BEC Pte. Ltd. ("LBPL")	815	815
Julian Ong Endoscopy & Surgery Pte. Ltd. ("JOES")	677	1,422
Medical L & C Services Pte. Ltd. ("MLCS")	640	640
Medical Services @ Tampines Pte. Ltd. ("MST")	344	344
Jason Lim Endoscopy and Surgery Pte. Ltd. ("JLES")	828	828
GMH Endoscopy & Surgery Pte. Ltd. ("GMH")	731	731
	4,035	4,780

Impairment test for goodwill

As at 31 May 2022, 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 5 years (2021: 5 years) and projected to terminal year. Management assessed that the 5 years cash flows and projection to terminal year for the financial forecast of the CGU is appropriate considering management’s plans for its business plan in the near future. The growth rates did not exceed the long-term average growth rate for the CGU.

Key assumptions used for value-in-use calculations:

	Revenue growth rates		Discount rate	
	31 May 2022 (Unaudited)	31 May 2021 (Audited)	31 May 2022 (Unaudited)	31 May 2021 (Audited)
LBPL	2%	2%	10.5%	9.4%
JOES	-65% to 15%	-36% to 81%	10.5%	9.4%
MLCS	2% to 3%	2% to 3%	10.5%	9.4%
MST	2%	4%	10.5%	9.4%
JLES	5% to 15%	5% to 15%	10.5%	9.4%
GMH	15% to 20%	10% to 212%	10.5%	9.4%

Revenue growth rates – The forecasted growth rates are based on management’s expectations for each CGU with reference to the historical trends as well as average growth rates of the industry.

Discount rate – Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

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

12. Intangible assets (continued)

During the financial year, the Group has made an impairment loss of approximately S\$745,000 (2021: S\$Nil) to one of its medical services under the healthcare segment. The carrying amount of such medical service, which represents a CGU by itself, was determined to be higher than its recoverable amount of approximately S\$1,672,000 based on its current financial performance. The impairment loss was fully allocated to goodwill and included in "other expenses" line item of the consolidated statement of comprehensive income.

13. Investments in subsidiaries

	Company	
	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Audited) S\$'000
Unquoted equity shares, at cost	19,593	9,843
Allowance for impairment loss	(5,254)	(4,083)
	<u>14,339</u>	<u>5,760</u>

Movement in allowance for impairment loss was as follows:

	Company	
	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Audited) S\$'000
Balance at beginning of financial year	4,083	4,083
Impairment loss for the financial year	1,171	-
Balance at end of financial year	<u>5,254</u>	<u>4,083</u>

Impairment on investments in subsidiaries

As at the end of the reporting period, the Company carried out a review of the investments 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\$1,171,000 was recognised for two subsidiaries for the financial year ended 31 May 2022 (2021: S\$Nil).

The recoverable amount of the impaired subsidiaries which was approximately S\$3,300,000 was 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 these value-in-use calculations are those regarding the discount rates and revenue growth rates disclosed above.

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

13. Investments in subsidiaries (continued)

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 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 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 S\$'000
	23 August 2021 S\$'000	17 September 2021 S\$'000	
Carrying amount of non-controlling interests acquired	*	28	
Consideration for the acquisition of non-controlling interests	(8,238) #	(1,512)	
Premium on acquisition of non-controlling interests recognized in equity	(8,238)	(1,484)	(9,722)

* Amount less than S\$1,000

Amount represents the present value of the Consideration

The difference of approximately S\$9,722,000 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.

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

	12 months ended 31 May 2022 S\$'000
Total purchase consideration	9,750
Less: unpaid	(7,238)
Net cash outflow on acquisition	2,512

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

14. Financial assets at FVTPL

Financial assets at FVTPL comprise the following:

	Group and Company	
	31 May 2022	31 May 2021
	(Unaudited)	(Audited)
	S\$'000	S\$'000
Balance at beginning of financial year	8,260	7,813
Additions	1,276	-
Capital reduction	(100)	(16)
Fair value gain	608	463
Balance at end of financial year	<u>10,044</u>	<u>8,260</u>

Financial assets at FVTPL increased mainly due to investment in Nuffield Dental Holdings Pte. Ltd. (“**Nuffield**”) upon conversion of convertible loan at fair value of S\$1,074,000 and additional investment of S\$200,000; and fair value gain of S\$608,000, which was partially offset by a capital reduction of S\$100,000.

14.1 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:

- a) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) 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
- c) 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
	Level 1	Level 2	Level 3	
	S\$'000	S\$'000	S\$'000	S\$'000
31 May 2022				
Financial Assets				
Financial assets at FVTPL				
- Quoted equity securities	8,404	-	-	8,404
- Unquoted equity securities	-	-	1,640	1,640
	<u>8,404</u>	<u>-</u>	<u>1,640</u>	<u>10,044</u>
31 May 2021				
Financial Assets				
Financial assets at FVTPL				
- Quoted equity securities	7,708	-	-	7,708
- Unquoted equity securities	-	-	552	552
	<u>7,708</u>	<u>-</u>	<u>552</u>	<u>8,260</u>

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

15. Derivative financial instruments

	Group		Company	
	31 May 2022 S\$'000	31 May 2021 S\$'000	31 May 2022 S\$'000	31 May 2021 S\$'000
Non-current assets				
Put option	302	302	302	302
Forward purchase contracts	940	940	1,436	1,554
	<u>1,242</u>	<u>1,242</u>	<u>1,738</u>	<u>1,856</u>
Current assets				
Forward purchase contracts	-	-	-	494
Non-current liabilities				
Options to re-purchase	(28)	(28)	(28)	(28)
	<u>1,214</u>	<u>1,214</u>	<u>1,710</u>	<u>2,322</u>

	Group		Company	
	31 May 2022 S\$'000	31 May 2021 S\$'000	31 May 2022 S\$'000	31 May 2021 S\$'000
Balance at beginning of financial year	1,214	1,893	2,322	2,205
Recognition of derivative financial instruments at initial recognition	-	-	-	85
Fair value gain/(loss) recognised during the financial year	-	(679)	253	32
Derecognition of derivative financial instruments	-	-	(865)	-
	<u>1,214</u>	<u>1,214</u>	<u>1,710</u>	<u>2,322</u>

Put option

This pertains to JOES, whereby the non-controlling interest granted the Company a put option to require the non-controlling interest to re-purchase the issued and fully paid-up share capital held by the Company in JOES, at a sum of S\$8,000,000, should the doctor's employment be terminated. As at the end of the reporting period, the fair value of the put option has been determined using the Binomial Option Pricing model and the significant judgement and assumptions to the valuation include volatility rate and risk-free rate.

Forward purchase contracts

The derivative financial instruments relate to the forward purchase contracts in connection with the Company's further acquisition of the remaining issued and fully paid-up share capital held by the non-controlling interests of certain subsidiaries and vendors of an associate as at the respective date of acquisitions as follows:

- (i) The Company's further acquisition of the remaining 60% of issued and fully paid-up share capital of Medistar Services Pte. Ltd..
- (ii) The Company's further acquisition of the remaining 30% of issued and fully paid-up share capital of JOES.

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

15. Derivative financial instruments (continued)

Forward purchase contracts (continued)

- (iii) The Company's further acquisition of the remaining 49% of issued and fully paid-up share capital of GMH.

As at the end of the reporting period, the fair values of these derivative financial instruments have been determined based on the difference between spot price adjusted for the present value of dividends and the present value of the forward price and the significant judgement and assumptions to the valuations include estimated profit after tax for future years and risk-free rate.

Options to re-purchase

The option to re-purchase represents option granted to one (2021: one) non-controlling interest for the acquisition of LBPL (2021: LBPL). The Company has granted to the non-controlling interest an option to re-purchase up to 20% 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 with the Group.

The fair value of the option to re-purchase is subsequently remeasured as at the end of the reporting period.

As at the end of the reporting period, the fair value of derivative financial instrument has been determined using the Binomial Option Pricing model and the significant judgement and assumptions to the valuation include the volatility rate and risk-free rate.

16. Share capital

	Group and Company			
	31 May 2022	31 May 2021	31 May 2022	31 May 2021
	Number of ordinary shares			
	('000)		S\$'000	
Issued and fully-paid:				
Balance at beginning and end of financial year (including treasury shares)	151,396	151,396	15,419	15,419

There have been no changes in the Company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since 30 November 2021.

There were 2,503,400 treasury shares (representing 1.68% of the Company's 148,892,230 ordinary shares (excluding treasury shares)) as at 31 May 2022 and 31 May 2021.

There are no subsidiary holdings as at 31 May 2022 and 31 May 2021.

There were no outstanding convertibles as at 31 May 2022 and 31 May 2021.

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

16. Share capital (continued)

16.1 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 31 May 2022	As at 31 May 2021
Total number of issued shares	148,892,230	148,892,230

16.2 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.

16.3 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.

17. Capital reserve

Capital reserve relates to the realised gain or loss on subsequent re-issuance of treasury shares pursuant to the acquisition of subsidiaries and the differences between the consideration paid and the carrying amount of non-controlling interests acquired during the financial year.

18. Other reserve

Other reserve represents the present value of the exercise price for the forward purchase contracts over non-controlling interests of subsidiaries.

19. Other financial liabilities

	Group	
	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Audited) S\$'000
Present value at beginning of financial year	12,121	2,417
Present value at initial recognition	-	3,288
Unwinding interest expenses on other financial liabilities	374	210
Changes in estimated future cash flow on other financial liabilities	(2,217)	6,743
	(1,843)	10,241
De-recognition of other financial liabilities	(8,182)	-
Gain on modification of other financial liabilities	-	(537)
Present value at end of financial year	<u>2,096</u>	<u>12,121</u>
Presented in statements of financial position		
- Non-current	2,096	11,950
- Current	-	171
	<u>2,096</u>	<u>12,121</u>

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

19. Other financial liabilities (continued)

Other financial liabilities pertain to the forward purchase contracts in connection with the Group's further acquisition of the remaining issued and fully paid-up share capital of certain subsidiaries as follows:

- (i) Remaining 49% of the issued and fully paid-up share capital of GMH (2021: JLES, MLCS and GMH); and
- (ii) Remaining 30% of the issued and fully paid-up share capital of JOES (2021: JOES).

As at the end of the reporting period, the other financial liabilities are measured at the present value of the exercise price for the forward purchase contracts with a corresponding entry to "other reserve" line item in the Group's equity.

The changes in estimated future cash flow and the unwinding interest expenses on other financial liabilities of approximately \$2,217,000 and \$374,000 (2021: \$6,743,000 and \$210,000) respectively are included in "other reserve" line item in the Group's equity.

During the financial year, the de-recognition of other financial liabilities amounting to S\$8,182,000 related to the completion of the forward purchase contracts for JLES and MLCS.

In the prior financial year, the gain on modification of other financial liabilities is in respect of the revision of sale and purchase agreement relating to JOES.

Key assumptions used in the estimation of the present value of the exercise price for the forward purchase contracts as at the reporting date are as follows:

	Group	
	31 May 2022 (Unaudited)	31 May 2021 (Audited)
Discount rate	9.4%	9.4%
Exercise price for forward purchase contracts	\$'000	\$'000
MLCS on 1 August 2021	-	187
JLES on 1 September 2022	-	8,748
JOES depends on SMC outcome (2021: depends on SMC outcome)	175	822
GMH on 1 November 2024	2,350	4,305

Discount rate – Management estimates discount rates that reflect current market assessments of the time value of money.

The carrying amounts of the other financial liabilities approximate its fair value.

20. Other payables

Other payables related to the outstanding purchase consideration for the acquisition of an additional 49.0% equity interest in JLES.

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

21. Bank borrowings

	Group and Company	
	31 May 2022 (Unaudited) S\$'000	31 May 2021 (Audited) S\$'000
<u>Amount repayable within one year or on demand</u>		
Unsecured	1,237	1,250
<u>Amount repayable after one year</u>		
Unsecured	2,550	3,750

The Group and the Company had drawn down a term loan amounting to S\$5.0 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.

22. 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 31 May 2022 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 twelve months ended 31 May 2022 ("FY2022") as compared to the twelve months ended 31 May 2021 ("FY2021").

The decrease in revenue of approximately S\$4.0 million was mainly due to the decrease in the number of patients selecting to pursue elective medical treatment in view of the lifting of the COVID-19 restrictions and easing of borders restrictions which paved way for overseas travel. FY2021 revenue was also exceptionally high due to a pent-up demand after the circuit breaker measures were lifted on 2 June 2020.

Other income increased by S\$269,000 due mainly to higher dividend income from investment in financial assets at FVTPL of S\$357,000; which was partially offset by lower interest income of S\$22,000 and lower government grants of S\$68,000.

The fair value gain on derecognition of financial assets at FVTPL of approximately S\$0.4 million related to the conversion of a convertible loan to shares in Nuffield.

In FY2022, the fair value gain on financial assets at FVTPL of approximately S\$0.6 million was due to (i) 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; (ii) the 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; (iii) fair value gain on Acumen Holdings Pte. Ltd.; which was partially offset by a fair value loss on HSN Healthcare Pte. Ltd. In FY2021, the fair value gain on financial assets at FVTPL of approximately S\$0.5 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.

Fair value loss on DFI of S\$0.7 million in FY2021 arose mainly due to remeasurement of fair value for put option of a subsidiary and forward purchase contract of an associate.

Gain on modification of debt instruments at amortised cost of S\$32,000 in FY2021 was related to exchange of new bonds held by the Company.

Gain on modification of other financial liabilities of S\$0.5 million in FY2021 arose due to modification of financial liability for forward purchase contract of a subsidiary.

Inventories, consumables and surgery expenses decreased by approximately S\$0.2 million in line with decreased revenue.

Employee benefits expenses decreased by approximately S\$0.7 million due to lower provision of bonus for the current financial year.

The Group had incurred lease expenses of S\$57,000 in FY2022 as compared to a negative S\$163,000 in the lease expenses due to rental reliefs received in FY2021.

Finance costs increased by approximately S\$0.3 million due to deemed interest expense on the deferred consideration payable for the acquisition of JLES.

As a result of the abovementioned, profit before income tax decreased by approximately S\$2.5 million or 24.6% in FY2022 as compared to FY2021.

Income tax expense decreased by S\$0.5 million or 33.2% due to lower taxable profit recorded in FY2022 as compared to FY2021.

As a result of the abovementioned, profit after income tax decreased by approximately S\$2.1 million or 23.2% in FY2022 as compared to FY2021.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 31 May 2022 and 31 May 2021.

Plant and equipment decreased from approximately S\$1.9 million as at 31 May 2021 to S\$1.5 million as at 31 May 2022 due to depreciation, impairment loss and write off and disposal of plant and equipment; partially offset by additions of plant and equipment for existing clinics.

Intangible assets comprise of goodwill and computer software. The decrease in intangible assets from S\$4.8 million as at 31 May 2021 to S\$4.0 million as at 31 May 2022 was primarily due to an allowance for impairment loss on goodwill of a subsidiary of S\$0.7 million.

Right-of-use (“ROU”) assets decreased by approximately S\$0.6 million mainly due to depreciation and impairment loss of ROU assets for the existing clinics, and write-off of ROU assets upon early termination of lease for a clinic; partially offset by recognition of ROU assets for a new 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\$1.3 million and fair value gain of approximately S\$0.6 million, which was partially offset by a capital reduction of S\$100,000.

Trade and other receivables decreased by approximately S\$1.3 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; and decreased in trade receivables outstanding from patients, in line with decreased revenue.

Capital reserve decreased by approximately S\$9.7 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\$10.0 million due to derecognition and remeasurement of financial liabilities for forward purchase contracts of subsidiaries.

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\$12.1 million as at 31 May 2021 to S\$2.1 million as at 31 May 2022 was due to derecognition of financial liabilities of two forward purchase contracts, upon exercise of the forward contracts for the relevant subsidiaries.

Non-current other payables of approximately S\$5.7 million as at 31 May 2022 related to the outstanding purchase consideration for the acquisition of an additional 49.0% equity interest in JLES.

Trade and other payables increased by approximately S\$0.8 million mainly due to outstanding purchase consideration for acquisition of additional 49.0% equity interest in JLES of S\$1.8 million. This was partially offset by a decrease in trade payables, in line with decreased revenue; and lower provision of bonus for the current financial year.

Current and non-current lease liabilities decreased by approximately S\$0.6 million due to repayments made in FY2022; partially offset by a new lease entered for a new clinic.

Current and non-current bank borrowings decreased by approximately S\$1.2 million due to repayments made in FY2022.

Income tax payable decreased by approximately S\$0.4 million due to lower tax provision and payments made during the financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS

Review for the performance of the Group for FY2022 as compared to FY2021

The Group recorded net cash from operating activities of S\$7.1 million in FY2022 as compared to net cash from operating activities of S\$10.8 million in FY2021, due mainly to lower operating receipts.

Net cash from investing activities in FY2022 was due to the (i) dividends and interests received of S\$742,000 and (ii) proceeds from capital reduction in financial assets at FVTPL and disposal of plant and equipment of S\$121,000; which was partially offset by the purchase of plant and equipment for existing clinics of S\$220,000, and acquisition of additional equity interest in financial assets at FVTPL of S\$200,000. The net cash used in investing activities in FY2021 was mainly related to the acquisition of 51.0% equity interests in GMH of S\$561,000 and the purchase of plant and equipment for existing and new clinics of S\$511,000 which was partially offset by dividends and interests received of S\$407,000.

Net cash used in financing activities in FY2022 was mainly related to (i) the acquisitions of additional 49.0% equity interests in each of JLES and MLCS aggregating to an amount of S\$2.5 million, (ii) the

payment of FY2021 final dividends of S\$3.4 million and FY2022 interim dividends of S\$2.1 million to shareholders; (iii) dividends paid to non-controlling interests of S\$1.1 million; (iv) repayment of bank borrowings of S\$1.2 million; and (v) repayments of obligations (including the interest portion) under leases of S\$1.2 million.

Overall, the Group recorded a net decrease in cash and cash equivalents of S\$4.1 million in FY2022, resulting in cash and cash equivalents of S\$6.9 million as at 31 May 2022.

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 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 easing of most, if not all, of the COVID-19 measures with effect from 26 April 2022, Singapore is poised to enter into a phase of living with COVID-19. People have resumed most of their daily activities and tourists' arrivals have also increased since then. The number of medical tourists is expected to increase which will inevitably boost the medical industry in Singapore, including the Group. In line with our expansion plans, construction of another endoscopy centre in the east coast is ongoing.

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

The Directors are recommending a final dividend for FY2022 which will be subject to shareholders' approval at the forthcoming annual general meeting to be held in September 2022.

Name of Dividend	Proposed Final
Dividend Type	Ordinary
Dividend Amount per Share (in S\$ cents)	1.20 cents per ordinary share (one tier tax exempt)
Tax Rate	Tax Exempt

If approved, the final dividend of 1.20 cents per share including the interim dividend of 1.40 cents per share paid on 28 January 2022 would bring the total dividends for the financial year ended 31 May 2022 to 2.60 cents per share.

- (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

Name of Dividend	Final
Dividend Type	Ordinary
Dividend Amount per Share (in S\$ cents)	2.30 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 Directors are pleased to recommend a final dividend of 1.20 cents per ordinary share amounting to approximately S\$1,787,000 in respect of the financial year ended 31 May 2022 for approval by the shareholders at the next Annual General Meeting to be convened on or before 30 September 2022.

The date of payment of the proposed final dividend, if approved at the Annual General Meeting, will be announced at a later date.

- (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.

The record date will be announced at a later date.

- (f) A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	FY2022 S\$'000	FY2021 S\$'000
Ordinary shares (tax exempt 1- tier)		
- Interim	2,084	2,545
- Final (Proposed)	1,787 ⁽¹⁾	3,425
Total Annual Dividend	3,871	5,970

Note:-

- (1) The proposed final ordinary dividend for FY2022 is based on the estimated number of shares outstanding as at 28 July 2022.

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 FY2022.

7. In the review of the performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments

Not applicable as the Group only has a single business and geographical segment. Please refer to paragraph 2 for the review of the Group’s performance.

8. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10). If there are no such persons, the issuer must make an appropriate negative statement

There is no person occupying a managerial position in the Company or any of its principal subsidiaries who is related to a director or chief executive officer or substantial shareholder of the Company pursuant to Rule 704(10).

9. 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.

On behalf of the Board of Directors

Dr. Heah Sieu Min

Executive Director and Chief Executive Officer

Singapore
28 July 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.

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