

HC Surgical Specialists Limited
(Incorporated in the Republic of Singapore)
(Company Registration No. 201533429G)

**Unaudited Financial Statements and Dividend Announcement
For the Fourth Quarter and Twelve Months Ended 31 May 2018**

Background

The Company was incorporated on 1 September 2015 in Singapore under the Singapore Companies Act (Chapter 50) as a company limited by shares under the name of “HC Endoscopy & Surgery Pte. Ltd.”. The Company changed its name to “HC Surgical Specialists Pte. Ltd.” on 25 August 2016, and subsequently to “HC Surgical Specialists Limited” on 28 September 2016. The Company and its subsidiaries and associated company (the “**Group**”) is 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 clinics located throughout Singapore. Prior to the listing on the Catalist of the SGX-ST on 3 November 2016, the Group undertook a restructuring exercise (the “**Restructuring Exercise**”). Please refer to the Company’s offer document dated 25 October 2016 (the “**Offer Document**”) for further details on the Restructuring Exercise. For the purpose of this announcement, the results of the Group for the three and twelve months ended 31 May 2018 (“**4QFY2018**” and “**FY2018**” respectively) and the comparative results of the Group for the three and twelve months ended 31 May 2017 (“**4QFY2017**” and “**FY2017**” respectively), have been presented on the basis that the Restructuring Exercise, following the completion, has been in place since 1 June 2016.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3) AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group					
	4th Quarter			12 months Ended		
	31 May 2018 (Unaudited) S\$'000	31 May 2017 (Unaudited) S\$'000	Change %	31 May 2018 (Unaudited) S\$'000	31 May 2017 (Audited) S\$'000	Change %
Revenue	4,433	2,979	48.8%	16,022	9,475	69.1%
<i>Other items of income</i>						
Other income	88	117	-24.8%	225	210	7.1%
Fair value gain on derivative financial instruments	-	-	N.M.	-	45	N.M.
<i>Items of expense</i>						
Changes in inventories	(7)	40	N.M.	17	78	-78.2%
Inventories and consumables used	(586)	(329)	78.1%	(1,731)	(1,069)	61.9%
Employee benefits expense	(1,475)	(1,008)	46.3%	(5,660)	(3,327)	70.1%
Depreciation of plant and equipment	(101)	(69)	46.4%	(362)	(199)	81.9%
Operating lease expenses	(179)	(256)	-30.1%	(947)	(835)	13.4%
Other expenses	(238)	(469)	-49.3%	(2,031)	(2,535)	-19.9%
Finance costs	(19)	-	N.M.	(38)	(306)	-87.6%
Share of results of an associate, net of tax	(383)	-	N.M.	572	-	N.M.
Profit before income tax	1,533	1,005	52.5%	6,067	1,537	294.7%
Income tax expense	(49)	(81)	-39.5%	(553)	(273)	102.6%
Profit for the financial period/year, representing total comprehensive income for the financial period/year	1,484	924	60.6%	5,514	1,264	336.2%
Profit and total comprehensive income attributable to:						
Owners of the parent	1,105	859	28.6%	4,464	1,308	241.3%
Non-controlling interests	379	65	483.1%	1,050	(44)	N.M.
	1,484	924	60.6%	5,514	1,264	336.2%

N.M. – Not meaningful

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

Profit for the financial period/year is stated after charging/(crediting) the following:	4th Quarter		12 months Ended	
	31 May 2018	31 May 2017	31 May 2018	31 May 2017
	(Unaudited) S\$'000	(Unaudited) S\$'000	(Unaudited) S\$'000	(Audited) S\$'000
Allowance for impairment loss on doubtful third parties trade receivables	4	37	-	37
Allowance for impairment loss on doubtful investee non-trade receivables	(361)	-	-	-
Amortisation of intangible assets	3	2	12	9
Bad third parties trade receivables written off	18	6	18	14
Depreciation of plant and equipment	98	67	350	190
Loss arising from deemed disposal in an associate	147	-	147	-
Loss on striking off of subsidiaries	-	10	-	10
IPO expenses	-	-	-	1,258

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	31 May 2018 (Unaudited) S\$'000	31 May 2017 (Audited) S\$'000	31 May 2018 (Unaudited) S\$'000	31 May 2017 (Audited) S\$'000
ASSETS				
Non-current assets				
Plant and equipment	1,359	1,440	28	41
Intangible assets	5,115	3,421	1	3
Investments in subsidiaries	-	-	5,809	4,316
Investments in associates	5,708	-	5,381	-
Available-for-sale financial assets	1,028	100	1,028	100
Held-to-maturity financial assets	2,000	-	2,000	-
Deferred tax assets	2	2	-	-
	15,212	4,963	14,247	4,460
Current assets				
Inventories	220	125	-	-
Trade and other receivables	2,008	1,544	3,279	4,165
Prepayments	211	181	68	74
Cash and cash equivalents	4,988	8,757	2,366	6,308
	7,427	10,607	5,713	10,547
Total assets	22,639	15,570	19,960	15,007
EQUITY AND LIABILITIES				
Equity				
Share capital	14,433	13,014	14,433	13,014
Treasury shares	(321)	-	(321)	-
Merger reserve	(815)	(815)	-	-
Retained earnings	3,407	1,631	2,674	1,489
Equity attributable to owners of the parent	16,704	13,830	16,786	14,503
Non-controlling interests	404	95	-	-
Total equity	17,108	13,925	16,786	14,503
Non-current liabilities				
Deferred tax liabilities	96	-	-	-
Derivative financial instruments	69	36	69	36
Provisions	84	50	13	13
	249	86	82	49
Current liabilities				
Trade and other payables	2,503	1,238	752	455
Bank borrowings	2,250	-	2,250	-
Current income tax payable	529	321	90	-
	5,282	1,559	3,092	455
Total liabilities	5,531	1,645	3,174	504
Total equity and liabilities	22,639	15,570	19,960	15,007

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31 May 2018 (Unaudited)		As at 31 May 2017 (Audited)	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	2,250	-	-

Amount repayable after one year

As at 31 May 2018 (Unaudited)		As at 31 May 2017 (Audited)	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	-	-	-

Details of collaterals

Not applicable.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

	4th Quarter Ended		12 months Ended	
	31 May 2018 (Unaudited) S\$'000	31 May 2017 (Unaudited) S\$'000	31 May 2018 (Unaudited) S\$'000	31 May 2017 (Audited) S\$'000
Operating activities				
Profit before income tax	1,533	1,005	6,067	1,537
Adjustments for:				
Allowance for impairment loss on doubtful third parties trade receivables	4	37	-	37
Allowance for impairment loss on doubtful third parties trade receivables written back	-	(5)	(3)	(5)
Allowance for impairment loss on doubtful investee non-trade receivables	(361)	-	-	-
Amortisation of intangible assets	3	2	12	9
Bad third parties trade receivables written off	18	6	18	14
Depreciation of plant and equipment	98	67	350	190
Interest income	(30)	(19)	(107)	(59)
Interest expense	19	-	38	306
Fair value gain on derivative financial instruments	-	-	-	(45)
Loss arising from deemed disposal in an associate	147	-	147	-
Plant and equipment written off	2	-	2	-
Share-based payments - employee benefits expense	-	-	-	37
Share of results of an associate, net of tax	383	-	(572)	-
Operating cash flows before working capital changes	1,816	1,093	5,952	2,021
Working capital changes:				
Inventories	107	(30)	83	(69)
Trade and other receivables	(6)	(314)	(813)	(699)
Prepayments	(10)	259	(30)	(141)
Trade and other payables	563	(442)	1,180	218
Cash generated from operations	2,470	566	6,372	1,330
Income tax paid	23	29	(302)	(492)
Net cash from operating activities	2,493	595	6,070	838
Investing activities				
Interest received	30	19	107	59
Acquisition of associate	-	-	(4,139)	-
Acquisition of subsidiaries, net of cash acquired	(2)	(1,394)	(1,306)	(2,152)
Investment in available-for-sale financial assets	(492)	(100)	(492)	(100)
Investment in held-to-maturity financial assets	-	-	(2,000)	-
Purchase of intangible assets	-	(30)	(3)	(38)
Purchase of plant and equipment	(237)	(366)	(271)	(1,059)
Net cash used in investing activities	(701)	(1,871)	(8,104)	(3,290)

	4th Quarter Ended		12 months Ended	
	31 May 2018	31 May 2017	31 May 2018	31 May 2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	S\$'000	S\$'000	S\$'000	S\$'000
Financing activities				
Advances from director of subsidiary	-	49	-	49
Dividends paid to owners of the parent	-	-	(2,688)	(2,634)
Dividends paid to non-controlling interests	(417)	-	(938)	(5)
Interest paid	(18)	-	(38)	-
Proceeds from issuance of ordinary shares	-	-	-	8,100
Proceeds from bank borrowings	-	-	3,000	-
Repayments of bank borrowings	(188)	-	(750)	-
Share buy-backs	-	-	(321)	-
Share issue expenses	-	-	-	(233)
Subscription for shares in subsidiary by a non-controlling interest	-	-	-	98
Net cash (used in)/from financing activities	(623)	49	(1,735)	5,375
Net change in cash and cash equivalents	1,169	(1,227)	(3,769)	2,923
Cash and cash equivalents at beginning of financial period/year	3,819	9,984	8,757	5,834
Cash and cash equivalents at end of financial period/year	4,988	8,757	4,988	8,757

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

**Consolidated Statement of Changes in Equity
Group**

(Unaudited)

	Share capital S\$'000	Treasury shares S\$'000	Merger 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 June 2017	13,014	-	(815)	1,631	13,830	95	13,925
Profit for the financial year	-	-	-	4,464	4,464	1,050	5,514
Total comprehensive income for the financial year	-	-	-	4,464	4,464	1,050	5,514
Contributions by and distributions to owners							
Issue of shares	1,419	-	-	-	1,419	-	1,419
Purchase of treasury shares	-	(321)	-	-	(321)	-	(321)
Dividends	-	-	-	(2,688)	(2,688)	-	(2,688)
Total transactions with owners	1,419	(321)	-	(2,688)	(1,590)	-	(1,590)
Transactions with non-controlling interests							
Acquisition of non-controlling interests	-	-	-	-	-	198	198
Dividends	-	-	-	-	-	(939)	(939)
Total transactions with non-controlling interests	-	-	-	-	-	(741)	(741)
Balance at 31 May 2018	14,433	(321)	(815)	3,407	16,704	404	17,108

(Unaudited)

	Share capital S\$'000	Treasury shares S\$'000	Merger 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 March 2018	14,433	(321)	(815)	2,302	15,599	388	15,987
Profit for the financial period	-	-	-	1,105	1,105	379	1,484
Total comprehensive income for the financial period	-	-	-	1,105	1,105	379	1,484
Transactions with non-controlling interests							
Acquisition of non-controlling interests	-	-	-	-	-	55	55
Dividends	-	-	-	-	-	(418)	(418)
Total transactions with non-controlling interests	-	-	-	-	-	(363)	(363)
Balance at 31 May 2018	14,433	(321)	(815)	3,407	16,704	404	17,108

**Group
(Unaudited)**

	Share capital S\$'000	Merger 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 June 2016	10	(815)	2,957	2,152	46	2,198
Profit for the financial year	-	-	1,308	1,308	(44)	1,264
Total comprehensive income for the financial year	-	-	1,308	1,308	(44)	1,264
Contributions by and distributions to owners						
Issue of shares	13,736	-	-	13,736	-	13,736
Purchase of treasury shares	(732)	-	-	(732)	-	(732)
Dividends	-	-	(2,634)	(2,634)	-	(2,634)
Total transactions with owners	13,004	-	(2,634)	10,370	-	10,370
Transactions with non-controlling interests						
Subscriptions of shares by non-controlling interest in a newly-incorporated subsidiary	-	-	-	-	98	98
Dividends	-	-	-	-	(5)	(5)
Total transactions with non-controlling interests	-	-	-	-	93	93
Balance at 31 May 2017	13,014	(815)	1,631	13,830	95	13,925

(Unaudited)

	Share capital S\$'000	Merger 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 March 2017	12,438	(815)	772	12,395	30	12,425
Profit for the financial period	-	-	859	859	65	924
Total comprehensive income for the financial period	-	-	859	859	65	924
Contributions by owners						
Issue of shares	576	-	-	576	-	576
Total transactions with owners	576	-	-	576	-	576
Balance at 31 May 2017	13,014	(815)	1,631	13,830	95	13,925

**Statement of Changes in Equity
Company**

(Unaudited)	Share capital S\$'000	Treasury shares S\$'000	Retained earnings S\$'000	Total equity S\$'000
Balance at 1 June 2017	13,014	-	1,489	14,503
Profit for the financial year	-	-	3,873	3,873
Total comprehensive income for the financial year	-	-	3,873	3,873
Contributions by and distributions to owners				
Issue of shares	1,419	-	-	1,419
Purchase of treasury shares	-	(321)	-	(321)
Dividends	-	-	(2,688)	(2,688)
Total transactions with owners	1,419	(321)	(2,688)	(1,590)
Balance at 31 May 2018	14,433	(321)	2,674	16,786
Balance at 1 March 2018	14,433	(321)	807	14,919
Profit for the financial period	-	-	1,867	1,867
Total comprehensive income for the financial period	-	-	1,867	1,867
Balance at 31 May 2018	14,433	(321)	2,674	16,786
(Audited)				
	Share capital S\$'000	Treasury shares S\$'000	Retained earnings S\$'000	Total equity S\$'000
Balance at 1 June 2016	10	-	(505)	(495)
Profit for the financial year	-	-	4,628	4,628
Total comprehensive income for the financial year	-	-	4,628	4,628
Contributions by and distributions to owners				
Issue of shares	13,736	-	-	13,736
Share issue expense	(732)	-	-	(732)
Dividends	-	-	(2,634)	(2,634)
Total transactions with owners	13,004	-	(2,634)	10,370
Balance at 31 May 2017	13,014	-	1,489	14,503
Balance at 1 March 2017	12,438	-	442	12,880
Profit for the financial period	-	-	1,047	1,047
Total comprehensive income for the financial period	-	-	1,047	1,047
Contributions by and distributions to owners				
Issue of shares	576	-	-	576
Total transactions with owners	576	-	-	576
Balance at 31 May 2017	13,014	-	1,489	14,503

- 1(d)(ii) Details of any changes in the company’s share capital arising from rights issue, bonus issue, 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 the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Shares Capital – Ordinary Shares

The Company’s issued and fully paid-up capital (excluding treasury shares) as at 31 May 2018 comprised 149,175,730 (28 February 2018: 149,175,730) ordinary shares. The Company did not issue any new shares during 4QFY2018.

Outstanding Convertibles

The Company did not have any convertible instruments as at 31 May 2018 and 31 May 2017.

Treasury Shares

There were 459,900 treasury shares (representing 0.31% of the Company’s 149,175,730 ordinary shares (excluding treasury shares) as at 31 May 2018. The Company did not have any treasury shares as at 31 May 2017.

Subsidiary Holdings

There were no subsidiary holdings as at 31 May 2018 and 31 May 2017.

- 1(d)(iii) To show the 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 2018	As at 31 May 2017
Total number of issued shares excluding treasury shares	149,175,730	147,327,630

- 1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. There were no sales, transfers, cancellation and/or use of treasury shares during and as at the end of the current financial period reported on.

- 1(d)(v) 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.

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

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable. The figures have not been audited or reviewed by the Company's auditors.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the reporting period are consistent with those disclosed in the most recently audited consolidated financial statements for the financial year ended 31 May 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted all the applicable new and revised Singapore Financial Reporting Standards ("SFRS") and Interpretations of Financial Reporting Standards ("INT FRS") that are mandatory for the accounting periods beginning on or after 1 June 2017. The adoption of these new and revised SFRS and INT FRS did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

Earnings per share ("EPS")	Group			
	Fourth Quarter		Year-To-Date	
	31-May-18 (Unaudited)	31-May-17 (Unaudited)	31-May-18 (Unaudited)	31-May-17 (Audited)
Profit attributable to owners of the parent (S\$)	1,105,000	859,000	4,464,000	1,308,000
Weighted average number of ordinary shares in issue	149,175,730 ⁽¹⁾	147,327,630 ⁽²⁾	149,204,798 ⁽¹⁾	126,888,706 ⁽²⁾
Basic EPS (cents per share)	0.74 ⁽³⁾	0.58 ⁽³⁾	2.99 ⁽³⁾	1.03
Fully diluted EPS (cents per share)	0.74 ⁽³⁾	0.58 ⁽³⁾	2.99 ⁽³⁾	1.19 ⁽⁴⁾

Notes:-

- (1) The weighted average number of ordinary shares in issue for the fourth quarter and twelve months ended 31 May 2018 was computed based on 149,175,730 ordinary shares and 149,204,798 ordinary shares respectively, adjusted for issue of (i) 448,000 ordinary shares to Dr Lai Junxu for the acquisition of 51% of the equity interest in Medical L & C Services Pte. Ltd.; (ii) 1,860,000 ordinary shares to Ms. Jessie Low for the acquisition of 49% of the equity interest in Medinex Pte Ltd.; and (iii) purchase of 459,900 Treasury Shares.
Items (i) and (ii) were issued on 29 June 2017; and the Treasury Shares were purchased in November 2017.
- (2) The weighted average number of ordinary shares in issue for the fourth quarter and twelve months ended 31 May 2017 was computed based on 147,327,630 ordinary shares and 126,888,706 ordinary shares respectively, adjusted for issue of (i) 12,345,674 shares to the pre-placement investors in connection to the conversion of the redeemable convertible loan; (ii) 3,076,200 Shine Shares; (iii) 1,481,481 CTK Shares; (iv) 555,555 LJH Shares; (v) 100,000 CFO Shares; (vi) 30,000,000 placement shares; (vii) 16,100 shares issued under the Performance Share Plan; and (viii) 1,000,000 ordinary shares to Dr Julian Ong for the acquisition of 51% of the equity interest in Julian Ong Endoscopy & Surgery Pte. Ltd..
Items (i) to (v) were issued on 25 October 2016; item (vi) was issued on 1 November 2016; item (vii) was issued on 11 January 2017; and item (viii) was issued on 31 March 2017.
Unless herein defined, the capitalised terms shall have the same meanings as ascribed to them in the Offer Document and previous announcements.
- (3) EPS on a fully diluted basis for the fourth quarter and twelve months ended 31 May 2018 and the fourth quarter ended 31 May 2017 is the same as the basic EPS because the Company did not have any potentially dilutive ordinary shares during and as at the end of the respective financial periods.
- (4) The fully diluted EPS was adjusted for the impact from the conversion of the redeemable convertible loans on 25 October 2016.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the

- (a) Current period reported on; and
- (b) Immediately preceding financial year

Net asset value ("NAV")	Group		Company	
	31-May-18 (Unaudited)	31-May-17 (Audited)	31-May-18 (Unaudited)	31-May-17 (Audited)
NAV (S\$)	16,704,000	13,830,000	16,786,000	14,503,000
Number of ordinary shares in issue	149,175,730	147,327,630	149,175,730	147,327,630
NAV per ordinary share (S\$ cents)	11.20	9.39	11.25	9.84

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss:-

- (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

Review for the performance of the financial year ended 31 May 2018 ("FY2018") as compared to the financial year ended 31 May 2017 ("FY2017").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Revenue

The Group recorded an increase of \$6,547,000 or approximately 69.1% in revenue for FY2018 as compared to FY2017. The increase was mainly due to increased revenue contributions from:-

- (i) new subsidiaries acquired in the previous financial year, which included CTK Tan Surgery Pte. Ltd. ("CTK") in September 2016, LAI Bec Pte. Ltd. ("LBEC") which started in November 2016, and Julian Ong Endoscopy & Surgery Pte. Ltd. ("JOES") which started in April 2017;
- (ii) new subsidiaries acquired during the current financial year, which included Medical L & C Services Pte. Ltd. ("MLCS") in June 2017 and HMC Medical Pte. Ltd. ("HMC") in January 2018;
- (iii) new subsidiaries which commenced operations during the current financial year, which included clinics at D'Leedon condominium, Ghim Moh Gardens and Hillford condominium; and
- (iv) increased revenue from existing subsidiaries.

Inventories and consumables used

Inventories and consumables used increased by \$662,000 or approximately 61.9% for FY2018 as compared to FY2017 due to an increase in medication and consumables, in line with the increase in revenue.

Employee benefits expense

Employee benefits expense increased by \$2,333,000 or approximately 70.1%, of which \$1,394,000 was attributable to increased headcount from new subsidiaries acquired or incorporated in the previous financial year and during the current financial year; and remaining \$939,000 increase was due to higher accrual of bonus and pay increment.

Depreciation of plant and equipment

Depreciation of plant and equipment increased by \$163,000 or approximately 81.9% for FY2018 as compared to FY2017 due to additions of plant and equipment for new subsidiaries acquired or incorporated in the previous financial year and during the current financial year.

Operating lease expense

Operating lease expense increased by \$112,000 or approximately 13.4%, mainly due to the full year impact of new subsidiaries acquired or incorporated in the previous financial year and during the current financial year; offset by rental rebates of \$84,000.

Other expenses

Other expenses decreased by \$504,000 or approximately 19.9%, mainly due to one-off IPO expenses of \$1,258,000 incurred in FY2017, and there were no such expenses in FY2018. This was partially offset by higher professional fees of \$220,000 in relation to acquisitions made; loss arising from deemed disposal of \$147,000 relating to dilution in shareholding of an associate; higher locum doctors' fees, advertising and marketing fees, credit card charges and administrative fees, audit fees and other operating expenses incurred which were in line with the new subsidiaries acquired or incorporated in the previous financial year and during the current financial year

Finance costs

Finance costs of \$38,000 in FY2018 was due to interest expense on short-term loans for working capital purpose, drawn down during the current financial year; while the finance costs of \$306,000 in FY2017 was due to one-off interest expense on redeemable convertible loans, which was only drawn down in October 2015, and converted to share capital in October 2016.

Share of results of an associate, net of tax

Share of profits of an associate, net of tax, amounting to \$572,000 in FY2018 (FY2017: NIL), was due to Medinex Pte. Ltd. ("Medinex") which was acquired during the current financial year.

Share of loss of Medinex, net of tax, amounted to \$383,000 in 4Q2018 (4Q2017: NIL), was due to adjustments made after purchase price allocation exercise for its acquisition during the financial year.

Profit before income tax

As a result of the abovementioned, profit before income tax increased by \$4,530,000 or approximately 294.7% from \$1,537,000 in FY2017 to \$6,067,000 in FY2018.

Income tax expense

Income tax expense increased by \$280,000 or approximately 102.6% for FY2018 as compared to FY2017 due to higher profit recorded, which was partially offset by group relief.

Profit after income tax

As a result of the abovementioned, profit after income tax increased by \$4,250,000 or approximately 336.2% from \$1,264,000 in FY2017 to \$5,514,000 in FY2018.

Excluding the IPO expenses, interest on redeemable convertible loan and fair value gain on derivative financial instruments, profit after income tax would have been \$2,783,000 in FY2017.

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 2018 and 31 May 2017.

Non-current assets

Intangible assets comprised goodwill and computer software. The increase in intangible assets was mainly due to the increase in goodwill of \$1,703,000 due to the acquisition of MLCS in June 2017 and HMC in January 2018.

Investments in associates arose from Medinex, mainly due to investment of \$5,381,000 and share of associate profit of \$572,000 in FY2018; offset by a loss arising from deemed disposal of associate of \$147,000 and dividends income of \$98,000.

Available-for-sale financial assets represents the investment in HSN Healthcare Pte. Ltd. ("HSN"). The increase of \$928,000 was due to quasi-capital contributed which was in line with the joint venture agreement previously announced on 3 January 2017.

Held-to-maturity financial assets comprising of bonds increased by \$2,000,000 due to an investment in new quoted bonds made in FY2018.

Current assets

Trade and other receivables increased by \$464,000 mainly due to increased trade receivables outstanding from patients amounting to \$535,000 in line with increased revenue; \$150,000 partial payment of purchase consideration for acquisition of Jason Lim Endoscopy and Surgery Pte. Ltd. ("JLES") and rental rebates receivable of \$84,000; partially offset by reclassification of amount due from HSN \$436,000 to available-for-sale financial assets.

Cash and cash equivalents decreased by \$3,769,000 mainly due to the acquisitions of MLCS and Medinex, both in June 2017, of which the portion of the consideration paid in cash amounted to \$4,027,000; additional investment in Medinex of \$1,000,000 in November 2017; investment in held-to-maturity financial assets of \$2,000,000; acquisition of HMC of \$673,000 in January 2018; partial payment for acquisition of JLES of \$150,000; share buy-backs of \$321,000; dividends paid to owners of the parent of \$2,688,000; dividends paid to non-controlling interests of \$938,000; partially offset by net increase in bank borrowings of \$2,250,000 and operating receipts.

Current liabilities

Trade and other payables increased by \$1,265,000 mainly due to increase in trade payables in line with increased revenue; and higher accrual of expenses such as Central Provident Fund contributions, bonus and audit fee incurred by existing as well as new subsidiaries acquired or incorporated in the previous financial year and during the current financial year.

Bank borrowings which amounted to \$2,250,000 comprised mainly short-term loans for working capital purpose which were drawn down during FY2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

Net Cash from Operating Activities

The Group recorded net cash from operating activities of \$6,070,000 in FY2018 compared to \$838,000 in FY2017 due to higher operating receipts.

Net Cash used in Investing Activities

For FY2018, net cash used in investing activities amounted to \$8,104,000 related to the acquisitions of MLCS and HMC of \$1,306,000; increased investment in available-for-sale financial assets of \$492,000; investment in Medinex of \$4,139,000 and held-to-maturity financial assets of \$2,000,000; purchase of plant and equipment of \$271,000, partially offset by interest income received. For FY2017, net cash used in investing activities amounted to \$3,290,000 related to the acquisitions of LBEC, CTK and JOES of \$2,152,000, purchase of plant and equipment of \$1,059,000 and investment in available-for-sale financial assets of \$100,000.

Net Cash used in/(from) Financing Activities

For FY2018, net cash used in financing activities amounted to \$1,735,000 related to the payment of final dividends for FY2017 of \$1,047,000; interim dividends for FY2018 of \$1,641,000; payment of interim dividends to non-controlling interests of \$938,000; interest paid of \$38,000; purchase of share buy-backs of \$321,000; partially offset by net increase in bank borrowings of \$2,250,000 mainly for working capital purpose. For FY2017, net cash from financing activities amounted to \$5,375,000, arose mainly from the gross IPO proceeds received of \$8,100,000 offset by dividends paid of \$2,634,000 and share issue expense of \$233,000.

Overall, the Group recorded a net decrease in cash and cash equivalents of \$3,769,000 in FY2018, due to acquisitions of new subsidiaries, associate and investments; and payments of dividends; which was partially offset by higher operating receipts and bank borrowings.

9. 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 specific forecast or a prospect statement has been issued previously.

10. 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 reporting period and the next 12 months.

FY2018 saw the full twelve months impact from the Group's acquisitions made in FY2017, which included CTK Tan Surgery Pte. Ltd., LAI Bec Pte. Ltd. and Julian Ong Endoscopy & Surgery Pte. Ltd.. During the year, the Group made a few more acquisitions – Medical L & C Services Pte. Ltd. in June 2017, HMC Medical Pte. Ltd. in January 2018 and Jason Lim Endoscopy and Surgery Pte. Ltd. in May 2018, of which Dr. Jason Lim will commence employment with the Group in mid-August 2018. A new subsidiary, HC & Island Family Pte. Ltd. was incorporated in February 2018 to further expand the Group's presence in heartland areas of Singapore.

From the medical support aspect, the Group invested in Medinex Pte. Ltd. in June 2017 and Nex Healthcare Pte. Ltd. in July 2017. Being management and service providers, with pharmaceutical business, they provide an enhanced ecological model of self-sustaining growth. We will continue to look for opportunities and suitable partners in our expansion plans.

11. Dividend

If a decision regarding dividend has been made: -

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

Yes.

The following interim dividend was declared for the 6 months ended 30 November 2017 and paid on 30 January 2018.

Name of Dividend	Interim
Dividend Type	Ordinary
Dividend Amount per Share (in S\$ cents)	1.1 cents per ordinary share (one tier tax exempt)
Tax Rate	Tax Exempt

The Directors are recommending a final dividend for FY2018 which will be subject to shareholders' approval at the forthcoming annual general meeting to be held in September 2018.

Name of Dividend	Proposed Final
Dividend Type	Ordinary
Dividend Amount per Share (in S\$ cents)	1.0 cents per ordinary share (one tier tax exempt)
Tax Rate	Tax Exempt

- (b) Previous corresponding period (cents)

Yes

Name of Dividend	Interim
Dividend Type	Ordinary
Dividend Amount per Share (in S\$ cents)	1.8 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)	0.7 cents per ordinary share (one tier tax exempt)
Tax Rate	Tax Exempt

- (c) The date the dividend is payable.

The Directors are pleased to recommend a final dividend of 1.0 cents per share amounting approximately to S\$1,491,000 in respect of the financial year ended 31 May 2018 for approval by the shareholders at the next Annual General Meeting to be convened on 27

September 2018. Including the interim dividend of 1.1 cents per share which was paid in January 2018, the total dividends for the financial year ended 31 May 2018 will be 2.1 cents per share.

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

- (d) The date on which Registrable Transfers receive by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

The books closure date will be announced at a later date.

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable.

13. If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate from shareholders for interested person transactions.

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (S\$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (S\$'000)
Heah Sieu Min (RVP) Pte. Ltd. ⁽¹⁾	144	-

Note:-

- (1) Rental of the office space at 233 River Valley Road #B1-04/05 RV Point Singapore 238291 from Heah Sieu Min (RVP) Pte. Ltd. for a term of three years, which is 100% owned by Dr. Heah Sieu Min ("HSM"), the Executive Director and Chief Executive Officer of the Company.

14. Use of IPO proceeds

The Company refers to the net cash proceeds amounting to S\$6.18 million (excluding listing expenses of approximately S\$1.68 million) raised from the IPO on the Catalist Board of SGX-ST on 3 November 2016.

As at the date of this announcement, the status on the use of the IPO net proceeds is as follows:

<u>Use of IPO net proceeds</u>	<u>Amount allocated</u> <u>(S\$'000)</u>	<u>Amount allocated after reallocations</u> <u>(S\$'000)</u>	<u>Amount utilised</u> <u>(S\$'000)</u>	<u>Balance</u> <u>(S\$'000)</u>
Expand business operations locally and regionally	2,800	4,800 ⁽¹⁾⁽²⁾	(3,982) ⁽³⁾	818
Expand surgical facilities	1,200 ⁽²⁾	400 ⁽²⁾	(112) ⁽⁴⁾	288
Working capital	2,180 ⁽¹⁾	980 ⁽¹⁾	(650) ⁽⁵⁾	330
Total	6,180	6,180	(4,744)	1,436

Notes:-

- (1) S\$1.2 million of the IPO net proceeds initially allocated for the Group's working capital had been reallocated to expand the Group's business operations locally and regionally. Please refer to the Company's announcement on 1 June 2017 for further details.
- (2) As the Company has no immediate and definite plans to use a significant portion of the IPO net proceeds to expand the Group's surgical facilities, S\$0.8 million of the IPO net proceeds initially allocated for the Group's expansion of surgical facilities had been reallocated to expand the Group's business operations locally and regionally, primarily for the proposed acquisition of 51% of the equity interest in Jason Lim Endoscopy and Surgery Pte. Ltd. ("JLES"). Please refer to the Company's announcement on 7 May 2018 for further details.
- (3) Utilised for the following:-
 - (a) investment in joint venture, HSN Healthcare Pte. Ltd. – S\$800,000;
 - (b) acquisition of Julian Ong Endoscopy & Surgery Pte. Ltd. – S\$1,569,100;
 - (c) acquisition of Medical L & C Services Pte. Ltd. – S\$790,160;
 - (d) acquisition of HMC Medical Pte. Ltd. – S\$673,000; and
 - (e) acquisition of JLES – S\$150,000.
- (4) Utilised for purchase of medical equipment and consumables for HC and Island Family Pte. Ltd..
- (5) Utilised for payments related to consultancy fee, professional fee, insurance, advertising and promotion and rental expenses.

15. Segmented revenue and results for operating segments (of the group) in the form presented in the issuers most recently audited manual financial statements, with comparative information for the immediately preceding year

(a) Business segments

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

(b) Geographical segment

Not applicable, the Group has only one geographical segment.

16. 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 8 for the review of the Group's performance.

17. Breakdown of Group's revenue and profit after tax for first half year and second half year

	FY2018 S\$'000	FY2017 S\$'000	Increase/ (Decrease) %
(a) Sales reported for first half year	7,704	4,281	80.0
(b) Operating profit after tax before deducting minority interests reported for first half year	2,917	19	15,252.6
(c) Sales reported for second half year	8,318	5,194	60.1
(d) Operating profit after tax before deducting minority interest reported for second half year	2,597	1,245	108.6

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

	FY2018	FY2017
	S\$'000	S\$'000
Ordinary shares (tax exempt 1- tier)		
- Interim	1,641	2,634
- Final (Proposed)	1,491 ⁽¹⁾	1,047
Total Annual Dividend	3,132	3,681

Note:-

- (1) The proposed final ordinary dividend for the financial year 2018 is based on estimated number of shares outstanding as at 19 July 2018.

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. 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).

20. Confirmation that the issuer has procured undertakings 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.

BY ORDER OF THE BOARD

Dr. Heah Sieu Min
Executive Director and Chief Executive Officer
19 July 2018

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

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

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

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