

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

**Unaudited Financial Statements and Dividend Announcement
For the Third Quarter and Nine Months Ended 28 February 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 nine months ended 28 February 2018 (“**3MFY2018**” and “**9MFY2018**” respectively) and the comparative results of the Group for the three and nine months ended 28 February 2017 (“**3MFY2017**” and “**9MFY2017**” 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					
	3rd Quarter			9 months Ended		
	28 February 2018 (Unaudited) S\$'000	28 February 2017 (Unaudited) S\$'000	Change %	28 February 2018 (Unaudited) S\$'000	28 February 2017 (Unaudited) S\$'000	Change %
Revenue	3,885	2,215	75.4%	11,589	6,496	78.4%
<i>Other items of income</i>						
Other income	82	39	110.3%	137	93	47.3%
Fair value gain on derivative financial instruments	-	-	-	-	45	N.M.
<i>Items of expense</i>						
Changes in inventories	(6)	16	N.M.	24	38	-36.8%
Inventories and consumables used	(405)	(246)	64.6%	(1,278)	(809)	58.0%
Employee benefits expense	(1,601)	(982)	63.0%	(4,185)	(2,319)	80.5%
Depreciation of plant and equipment	(87)	(43)	102.3%	(261)	(130)	100.8%
Other expenses	(796)	(566)	40.6%	(2,428)	(2,576)	-5.7%
Finance costs	(19)	-	N.M.	(19)	(306)	-93.8%
Share of results of an associate, net of tax	205	-	N.M.	955	-	N.M.
Profit before income tax	1,258	433	190.5%	4,534	532	752.3%
Income tax expense	(145)	(112)	29.5%	(504)	(192)	162.5%
Profit for the financial period, representing total comprehensive income for the financial period	1,113	321	246.7%	4,030	340	1085.3%
Profit and total comprehensive income attributable to:						
Owners of the Company	903	345	161.7%	3,359	449	648.1%
Non-controlling interests	210	(24)	N.M.	671	(109)	N.M.
	1,113	321	246.7%	4,030	340	1085.3%

N.M. – Not meaningful

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

Profit for the financial period is stated after charging the following:	3rd Quarter		9 months Ended	
	28 February 2018	28 February 2017	28 February 2018	28 February 2017
	(Unaudited) S\$'000	(Unaudited) S\$'000	(Unaudited) S\$'000	(Unaudited) S\$'000
Bad third parties trade receivables written off	-	-	-	8
Allowance for impairment loss on doubtful investee non-trade receivables	-	-	361	-
Amortisation of intangible asset	3	4	9	7
Depreciation of plant and equipment	84	39	252	123
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	
	28 February 2018 (Unaudited) S\$'000	31 May 2017 (Audited) S\$'000	28 February 2018 (Unaudited) S\$'000	31 May 2017 (Audited) S\$'000
ASSETS				
Non-current assets				
Plant and equipment	1,222	1,440	31	41
Intangible assets	5,142	3,421	2	3
Investments in subsidiaries	-	-	6,055	4,316
Investments in associates	6,238	-	5,381	-
Available-for-sale financial assets	100	100	100	100
Held-to-maturity financial assets	2,000	-	2,000	-
Deferred tax assets	2	2	-	-
	14,704	4,963	13,569	4,460
Current assets				
Inventories	168	125	-	-
Trade and other receivables	2,097	1,544	2,972	4,165
Prepayments	201	181	92	74
Cash and cash equivalents	3,819	8,757	1,653	6,308
	6,285	10,607	4,717	10,547
Total assets	20,989	15,570	18,286	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	2,302	1,631	807	1,489
Equity attributable to owners of the parent	15,599	13,830	14,919	14,503
Non-controlling interests	388	95	-	-
Total equity	15,987	13,925	14,919	14,503
Non-current liabilities				
Derivative financial instruments	36	36	36	36
Provisions	50	50	13	13
	86	86	49	49
Current liabilities				
Trade and other payables	1,942	1,238	777	455
Bank borrowings	2,438	-	2,438	-
Current income tax payable	536	321	103	-
	4,916	1,559	3,318	455
Total liabilities	5,002	1,645	3,367	504
Total equity and liabilities	20,989	15,570	18,286	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 28 February 2018 (Unaudited)		As at 31 May 2017 (Audited)	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	2,438	-	-

Amount repayable after one year

As at 28 February 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

	3rd Quarter Ended		9 months Ended	
	28 February 2018 (Unaudited) S\$'000	28 February 2017 (Unaudited) S\$'000	28 February 2018 (Unaudited) S\$'000	28 February 2017 (Unaudited) S\$'000
Operating activities				
Profit before income tax	1,258	433	4,534	532
Adjustments for:				
Bad third parties trade receivables written off	-	-	-	8
Allowance for doubtful debts written back	(7)	-	(7)	-
Allowance for impairment loss on doubtful investee non-trade receivables	-	-	361	-
Amortisation of intangible asset	3	4	9	7
Depreciation of plant and equipment	84	39	252	123
Share-based payments - employee benefits expense	-	10	-	37
Interest income	(59)	(14)	(77)	(40)
Interest expense	19	-	19	306
Fair value gain on derivative financial instruments	-	-	-	(45)
Share of results of an associate, net of tax	(205)	-	(955)	-
Operating cash flows before working capital changes	1,093	472	4,136	928
Working capital changes:				
Inventories	5	(17)	(24)	(39)
Trade and other receivables	(346)	(570)	(807)	(385)
Prepayments	5	(312)	(20)	(400)
Trade and other payables	(562)	550	617	660
Cash generated from operations	195	123	3,902	764
Income tax paid	(152)	(248)	(325)	(521)
Net cash from (used in) operating activities	43	(125)	3,577	243
Investing activities				
Interest received	59	14	77	40
Investment in held-to-maturity financial assets	-	-	(2,000)	-
Acquisition of investment in associate	-	-	(4,139)	-
Acquisition of subsidiaries, net of cash acquired	(643)	(175)	(1,304)	(758)
Purchase of intangible asset	-	(8)	(3)	(8)
Purchase of plant and equipment	(2)	(528)	(34)	(693)
Net cash used in investing activities	(586)	(697)	(7,403)	(1,419)

	3rd Quarter Ended		9 months Ended	
	28 February 2018	28 February 2017	28 February 2018	28 February 2017
	(Unaudited) S\$'000	(Unaudited) S\$'000	(Unaudited) S\$'000	(Unaudited) S\$'000
Financing activities				
Dividends paid to owners of the Company	(1,641)	(2,634)	(2,688)	(2,634)
Dividends paid to non-controlling interests	(276)	-	(521)	(5)
Proceeds from issuance of ordinary shares	-	-	-	8,100
Share issue expenses	-	-	-	(233)
Proceeds from bank loans	1,500	-	3,000	-
Repayments of bank loans	(582)	-	(582)	-
Share buy-backs	-	-	(321)	-
Subscription for shares in subsidiary by a non-controlling interest	-	-	-	98
Net cash (used in) from financing activities	(999)	(2,634)	(1,112)	5,326
Net change in cash and cash equivalents	(1,542)	(3,456)	(4,938)	4,150
Cash and cash equivalents at beginning of financial period	5,361	13,440	8,757	5,834
Cash and cash equivalents at end of financial period	3,819	9,984	3,819	9,984

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 period	-	-	-	2,456	2,456	461	2,917
Total comprehensive income for the financial period	-	-	-	2,456	2,456	461	2,917
Contributions by and distributions to owners							
Issue of shares	1,419	-	-	-	1,419	-	1,419
Purchase of treasury shares	-	(321)	-	-	(321)	-	(321)
Dividends	-	-	-	(1,047)	(1,047)	-	(1,047)
Total transactions with owners	1,419	(321)	-	(1,047)	51	-	51
Transactions with non-controlling interests							
Acquisition of non-controlling interests	-	-	-	-	-	75	75
Dividends	-	-	-	-	-	(245)	(245)
Total transactions with non-controlling interests	-	-	-	-	-	(170)	(170)
Balance at 30 November 2017	14,433	(321)	(815)	3,040	16,337	386	16,723
Balance at 1 December 2017	14,433	(321)	(815)	3,040	16,337	386	16,723
Profit for the financial period	-	-	-	903	903	210	1,113
Total comprehensive income for the financial period	-	-	-	903	903	210	1,113
Contributions by and distributions to owners							
Dividends	-	-	-	(1,641)	(1,641)	-	(1,641)
Total transactions with owners	-	-	-	(1,641)	(1,641)	-	(1,641)
Transactions with non-controlling interests							
Acquisition of non-controlling interests	-	-	-	-	-	68	68
Dividends	-	-	-	-	-	(276)	(276)
Total transactions with non-controlling interests	-	-	-	-	-	(208)	(208)
Balance at 28 February 2018	14,433	(321)	(815)	2,302	15,599	388	15,987

(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 2016	10	-	(815)	2,957	2,152	46	2,198
Profit/(Loss) for the financial period	-	-	-	104	104	(85)	19
Total comprehensive income for the financial period	-	-	-	104	104	(85)	19
Contributions by owners							
Issue of shares	13,150	-	-	-	13,150	-	13,150
Share issue expense	(732)	-	-	-	(732)	-	(732)
Total transactions with owners	12,418	-	-	-	12,418	-	12,418
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 30 November 2016	12,428	-	(815)	3,061	14,674	54	14,728
Balance at 1 December 2016	12,428	-	(815)	3,061	14,674	54	14,728
Profit/(Loss) for the financial period	-	-	-	345	345	(24)	321
Total comprehensive income for the financial period	-	-	-	345	345	(24)	321
Contributions by owners							
Issue of shares	10	-	-	-	10	-	10
Dividends	-	-	-	(2,634)	(2,634)	-	(2,634)
Total transactions with owners	10	-	-	(2,634)	(2,624)	-	(2,624)
Balance at 28 February 2017	12,438	-	(815)	772	12,395	30	12,425

**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 period	-	-	1,425	1,425
Total comprehensive income for the financial period	-	-	1,425	1,425
Contributions by and distributions to owners				
Issue of shares	1,419	-	-	1,419
Purchase of treasury shares	-	(321)	-	(321)
Dividends	-	-	(1,047)	(1,047)
Total transactions with owners	1,419	(321)	(1,047)	51
Balance at 30 November 2017	14,433	(321)	1,867	15,979
Balance at 1 December 2017	14,433	(321)	1,867	15,979
Profit for the financial period	-	-	581	581
Total comprehensive income for the financial period	-	-	581	581
Contributions by and distributions to owners				
Dividends	-	-	(1,641)	(1,641)
Total transactions with owners	-	-	(1,641)	(1,641)
Balance at 28 February 2018	14,433	(321)	807	14,919
(Unaudited)				
Balance at 1 June 2016	10	-	(505)	(495)
Profit for the financial period	-	-	3,781	3,781
Total comprehensive income for the financial period	-	-	3,781	3,781
Contributions by and distributions to owners				
Issue of shares	12,418	-	-	12,418
Total transactions with owners	12,418	-	-	12,418
Balance at 30 November 2016	12,428	-	3,276	15,704
Balance at 1 December 2016	12,428	-	3,276	15,704
Profit for the financial period	-	-	(200)	(200)
Total comprehensive income for the financial period	-	-	(200)	(200)
Contributions by and distributions to owners				
Issue of shares	10	-	-	10
Dividends	-	-	(2,634)	(2,634)
Total transactions with owners	10	-	(2,634)	(2,624)
Balance at 28 February 2017	12,438	-	442	12,880

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 28 February 2018 comprised 149,175,730 (30 November 2017: 149,175,730) ordinary shares. The Company did not issue any new shares during 3QFY2018.

Outstanding Convertibles

The Company did not have any convertible instruments as at 28 February 2018 and 28 February 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 28 February 2018. The Company did not have any treasury shares as at 28 February 2017.

Subsidiary Holdings

There were no subsidiary holdings as at 28 February 2018 and 28 February 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 28 February 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 combined 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			
	Third Quarter		Nine Months	
	28-Feb-18 (Unaudited)	28-Feb-17 (Unaudited)	28-Feb-18 (Unaudited)	28-Feb-17 (Unaudited)
Profit attributable to owners of the parent (S\$)	903,000	345,000	3,359,000	449,000
Weighted average number of ordinary shares in issue	149,175,730 ⁽¹⁾	146,311,530 ⁽²⁾	149,214,594 ⁽¹⁾	120,107,864 ⁽²⁾
Basic EPS (cents per share)	0.61 ⁽³⁾	0.24 ⁽³⁾	2.25 ⁽³⁾	0.37
Fully diluted EPS (cents per share)	0.61 ⁽³⁾	0.24 ⁽³⁾	2.25 ⁽³⁾	0.55 ⁽⁴⁾

Notes:-

- (1) The weighted average number of ordinary shares in issue for the third quarter and nine months ended 28 February 2018 was computed based on 149,175,730 ordinary shares and 149,214,594 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.; and (ii) 1,860,000 ordinary shares to Ms. Jessie Low for the acquisition of 49% of the equity interest in Medinex Pte Ltd.; and purchase of 459,900 Treasury Shares.
Items (i) and (ii) were issued on 29 June 2017; and the Treasury Shares were purchased in 9MFY2018.
- (2) The weighted average number of ordinary shares in issue for the third quarter and nine months ended 28 February 2017 was computed based on 146,311,530 ordinary shares and 120,107,864 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 LJM Shares; (v) 100,000 CFO Shares; and (vi) 30,000,000 placement shares.
Items (i) to (v) were issued on 25 October 2016; and item (vi) was issued on 1 November 2016.
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 third quarter and nine months ended 28 February 2018 and the third quarter ended 28 February 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	
	28-Feb-18 (Unaudited)	31-May-17 (Audited)	28-Feb-18 (Unaudited)	31-May-17 (Audited)
NAV (S\$)	15,599,000	13,830,000	14,919,000	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)	10.46	9.39	10.00	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 Group for the nine months ended 28 February 2018 ("9MFY2018") as compared to the nine months ended 28 February 2017 ("9MFY2017"); and third quarter ended 28 February 2018 ("3QFY2018") as compared to the third quarter ended 28 February 2017 ("3QFY2017").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Revenue

3QFY2018 vs 3QFY2017

The Group recorded an increase of \$1,670,000 or approximately 75.4% in revenue for 3QFY2018 as compared to 3QFY2017. The increase was mainly due to the full three months revenue contributions from:-

- (i) new subsidiaries acquired in the previous financial year, which included 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.

9MFY2018 vs 9MFY2017

The Group recorded an increase of \$5,093,000 or approximately 78.4% in revenue for 9MFY2018 as compared to 9MFY2017. The increase was mainly due to the full nine months 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, JOES which started in April 2017;
- (ii) new subsidiaries acquired during the current financial year, which included MLCS in June 2017 and 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

3QFY2018 vs 3QFY2017

Inventories and consumables used increased by \$159,000 or approximately 64.6% due to an increase in medication and consumables, in line with the increase in revenue.

9MFY2018 vs 9MFY2017

Inventories and consumables used increased by \$469,000 or approximately 58.0% due to an increase in medication and consumables, in line with the increase in revenue.

Employee benefits expense

3QFY2018 vs 3QFY2017

Employee benefits expense increased by \$619,000 or approximately 63.0%, of which \$363,000 was attributable to increased headcount from new subsidiaries acquired or incorporated in the previous financial year and during the current financial year; and remaining \$256,000 increase was due to higher accrual of bonus and increased headcount.

9MFY2018 vs 9MFY2017

Employee benefits expense increased by \$1,866,000 or approximately 80.5%, of which \$1,173,000 was attributable to increased headcount from new subsidiaries acquired or incorporated in the previous financial year and during the current financial year; and remaining \$693,000 increase was due to higher accrual of bonus and increased headcount.

Depreciation of plant and equipment

Depreciation of plant and equipment increased by \$44,000 or approximately 102.3% for 3QFY2018 as compared to 3QFY2017; and increased by \$131,000 or approximately 100.8% for 9MFY2018 as compared to 9MFY2017 due to additions of plant and equipment for new subsidiaries acquired or incorporated in the previous financial year and during the current financial year.

Other expenses

3QFY2018 vs 3QFY2017

Other expenses increased by \$230,000 or approximately 40.6%, mainly due to increased rental and operating expenses incurred by new subsidiaries, legal and professional fees and audit fees.

9MFY2018 vs 9MFY2017

Other expenses decreased by \$148,000 or approximately 5.7%, mainly due to one-off IPO expenses of \$1,258,000 incurred in 9MFY2017, and there were no such expenses in 9MFY2018. This was partially offset by higher allowance for impairment loss on doubtful investee non-trade receivables of \$361,000; higher legal and professional fees of \$186,000 in relation to acquisitions made; higher rental of \$236,000 and operating expenses incurred by new subsidiaries acquired or incorporated in the previous financial year and during the current financial year.

Finance costs

3QFY2018 vs 3QFY2017

Finance costs of \$19,000 in 3QFY2018 is due to interest expense on short-term loans for working capital purpose, drawn down during the current financial year.

9MFY2018 vs 9MFY2017

Finance costs of \$306,000 in 3QFY2017 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, was \$205,000 in 3QFY2018 (3QFY2017: NIL); and \$955,000 in 9MFY2018 (9MFY2017: NIL), due to Medinex Pte. Ltd. ("Medinex") which was acquired during the current financial year.

Profit before income tax

3QFY2018 vs 3QFY2017

As a result of the abovementioned, profit before income tax increased by \$825,000 or approximately 190.5% from \$433,000 in 3QFY2017 to \$1,258,000 in 3QFY2018.

9MFY2018 vs 9MFY2017

As a result of the abovementioned, profit before income tax increased by \$4,002,000 or approximately 752.3% from \$532,000 in 9MFY2017 to \$4,534,000 in 9MFY2018.

Income tax expense

Income tax expense increased by \$33,000 in 3QFY2018 and \$312,000 in 9MFY2018 due to higher profit recorded in the current periods compared to the corresponding periods in the previous financial year.

Profit after income tax

3QFY2018 vs 3QFY2017

As a result of the abovementioned, profit after income tax increased by \$792,000 or approximately 246.7% from \$321,000 in 3QFY2017 to \$1,113,000 in 3QFY2018.

9MFY2018 vs 9MFY2017

As a result of the abovementioned, profit after income tax increased by \$3,690,000 or approximately 1085.3% from \$340,000 in 9MFY2017 to \$4,030,000 in 9MFY2018.

Excluding the IPO expenses, interest on redeemable convertible loan and fair value gain on derivative financial instruments, profit after income tax would have been \$1,859,000 in 9MFY2017.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 28 February 2018 and 31 May 2017.

Non-current assets

Plant and equipment decreased by \$218,000 mainly due to depreciation of plant and equipment, partially offset by additions of plant and equipment.

Intangible assets comprise of goodwill and computer software. Goodwill increased by \$1,727,000 due to the acquisition of MLCS in June 2017 and HMC in January 2018. Computer software decreased by \$6,000 due to amortisation of software, partially offset by additional software purchased during the period.

Investments in associates arose from the investment in Medinex of \$4,381,000 in June 2017, additional investment of \$1,000,000 in November 2017, and share of associate profit of \$955,000 for 9MFY2018 partially offset by the dividends income of \$98,000.

Held-to-maturity financial assets comprising of bonds increased by \$2,000,000 due to an investment in new quoted bonds made in 9MFY2018. Pursuant to Rule 704(16)(b) of the Listing Manual (Section B: Rules of Catalist) of the SGX-ST, information in respect of the quoted bonds is as follows:

	Before the purchase of quoted investments	After the purchase of quoted investments
(i) Aggregate cost of the Group's quoted investments (S\$)	-	2,000,000
(ii) Total market value of the Group's quoted investments as at 28 February 2018 (S\$)	-	2,025,000
(iii) Aggregate cost of the Group's quoted investments as a percentage of the latest audited consolidated net tangible assets of the Group as at 31 May 2017	-	19.2%
(iv) Amount of any provision for diminution in value of the Group's quoted investments (S\$)	-	-

Current assets

Trade and other receivables increased by \$553,000 mainly due to advances amounting to \$140,000 made to an investee company for working capital pending conversion into share capital and increased trade receivables outstanding from patients amounting to \$250,000 in line with increased revenue.

Cash and cash equivalents decreased by \$4,938,000 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; and acquisition of HMC of \$673,000 in January 2018; partially offset by operating receipts.

Current liabilities

Trade and other payables increased by \$704,000 mainly due to increase in trade payables in line with increased revenue; and higher accrual of expenses such as CPF, 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 \$2,438,000 comprised mainly short-term loans for working capital purpose which were drawn down during 9MFY2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

Net Cash from (used in) Operating Activities

For 3QFY2018, the Group recorded a net cash from operating activities of \$43,000 compared to net cash used in operating activities of \$125,000 in 3QFY2017, due to higher operating receipts.

For 9MFY2018, the Group recorded a net cash from operating activities of \$3,577,000 compared to \$243,000 in 9MFY2017, due to higher operating receipts.

Net Cash used in Investing Activities

For 3QFY2018, net cash used in investing activities amounted to \$586,000 related to the acquisition of HMC, partially offset by interest income received.

For 9MFY2018, net cash used in investing activities amounted to \$7,403,000 related to the acquisitions of MLCS and HMC; investment in Medinex and held-to-maturity financial assets; purchase of plant and equipment, partially offset by interest income received.

Net Cash used in Financing Activities

For 3QFY2018, net cash used in financing activities amounted to \$999,000 related to the payment of interim dividends for FY2018 of \$1,641,000; partially offset by net increase in bank borrowings of \$918,000 mainly for working capital purpose.

For 9MFY2018, net cash used in financing activities amounted to \$1,112,000 related to the payment of final dividends for FY2017 of \$1,047,000; interim dividends for FY2018 of \$1,641,000; purchase of share buy-backs of \$321,000; partially offset by net increase in bank borrowings of \$2,418,000 mainly for working capital purpose.

Overall, the Group recorded a net decrease in cash and cash equivalents of \$1,542,000 in 3QFY2018 and \$4,938,000 in 9MFY2018, due to acquisitions of new subsidiaries and associate and investments; and payments of dividends; which was offset by higher operating receipts.

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.

The recent media articles on rising insurance claims and monitoring of charging practices by doctors had raised some concerns in the healthcare industry. However, the Group is of the opinion that its business will not be affected and will focus on strengthening its core competencies to provide good service to all its patients.

3QFY2018 had been a challenging period for the Group, in view of the December holiday seasons and Chinese New Year in February 2018. The Group acquired HMC on 2 January 2018 which operates a GP medical clinic at Upper Thomson Road; and incorporated a new subsidiary HC and Island Family Pte. Ltd. on 12 February 2018 to further expand the Group's presence in heartland areas in Singapore.

9MFY2018 also saw the full nine months impact from the Group's acquisitions made in FY2017, increasing the revenue by 78.4% to \$11,589,000 from \$6,496,000 year-on-year. 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

No

(b) Previous corresponding period (cents)

No

(c) The date the dividend is payable.

Not applicable

- (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.

Not applicable

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

No dividend has been declared or recommended.

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.

During 9MFY2018, the Company renewed its tenancy agreement with Heah Sieu Min (RVP) Pte Ltd (“HSMRVP”) for the office space for a term of three years with rental totaling \$144,000. HSMRVP is 100% owned by Dr. Heah Sieu Min, the Executive Director and Chief Executive Officer, of the Company. Save for the above, there were no IPT transactions of S\$100,000 and above.

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>Amount allocated after Re-allocation</u>	<u>Amount utilised</u>	<u>Balance</u>
	<u>(\$'000)</u>	<u>(\$'000)</u>	<u>(\$'000)</u>	<u>(\$'000)</u>
Expand business operations locally and regionally ⁽¹⁾	2,800	4,000	(3,832)	168
Expand surgical facilities	1,200	1,200	-	1,200
Working capital	2,180	980	-	980
Total	6,180	6,180	(3,832)	2,348

Note:-

(1) The amount utilised was for the following:-

- (a) investment in HSN Healthcare Pte. Ltd. of \$800,000 as announced on 3 January 2017;
- (b) acquisition of Julian Ong Endoscopy & Surgery Pte. Ltd. of \$1,569,100 as announced on 1 February 2017;
- (c) acquisition of Medical L & C Services Pte. Ltd. of \$790,160 as announced on 1 June 2017; and
- (d) acquisition of HMC Medical Pte. Ltd. of \$673,000 as announced on 2 January 2018.

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

15. 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.

16. Negative Confirmation by the Board Pursuant to Rule 705(5) of the Catalist Listing Manual

The Board of Directors of the Company confirms, to the best of their knowledge, that nothing has come to their attention which may render the unaudited financial results for the three and nine months ended 28 February 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Dr. Heah Sieu Min
Executive Director and Chief Executive Officer
10 April 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).