HC Surgical Specialists Limited

THE SERVICE YOU GET
MAKES ONE NOT FORGET

ANNUAL REPORT 2019

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

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

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

CORPORATE PROFILE

HC Surgical Specialists Limited operates a wide network of clinics and endoscopy centres throughout Singapore, providing specialists healthcare at your doorstep in both residential areas and central areas, making it conveniently accessible, lesser waiting time and lower costs. As members of the same group, the clinics are dedicated to provide endoscopic procedures including gastroscopies and colonoscopies.

Most of our clinics are equipped with the facilities to perform general surgery services with a focus on colorectal surgery procedures on site. Our endoscopy centres aim to provide maximum comfort, efficiency and safety to all our patients. The clinics are also Medisave accredited, enabling us to further enhance our services to our patients.

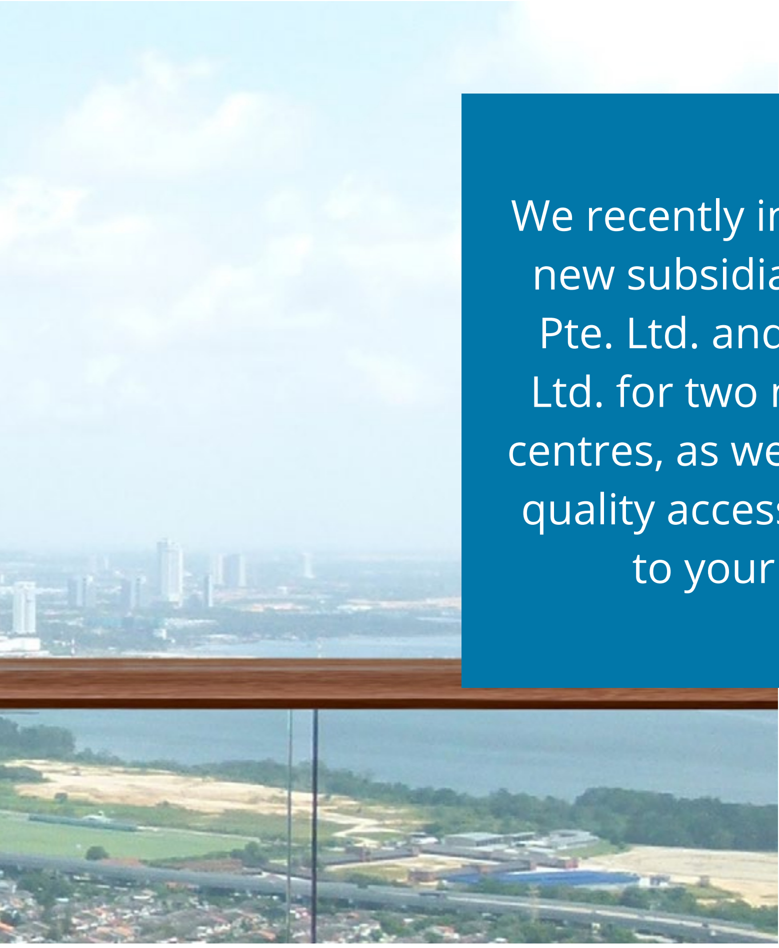
CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Directors and Management of HC Surgical Specialists Limited ("HCSS"), I am pleased to present the Annual Report for HCSS for the financial year ended 31 May 2019 ("FY2019").

HCSS had a good year, despite global macroeconomic weakness and trade uncertainty, and the Group registered a commendable earnings performance. The Group's progress on initiatives to accelerate growth, along with effectiveness of our corporate strategy, where we have built an enhanced ecological model including a platform of supporting services and network to support the growth of our specialists and long-term sustainability for the Group.

One of the challenges facing the local healthcare industry in recent years has been Singapore's diminishing attractiveness as a medical tourism hub, due to the much lower healthcare costs in neighbouring countries like Malaysia and Thailand. At HCSS, our focus has always been on local patients instead



> We recently incorporated two new subsidiaries, HC (Ming) Pte. Ltd. and HC (AMK) Pte. Ltd. for two new endoscopy centres, as we seek to provide quality accessible healthcare to your doorstep.

of medical tourists. Currently, majority of our patients are from Singapore, given the strategic locations of our clinics which is sprawled across the island in both central Singapore and the heartland residential areas, within close proximity to the public transportation network. We recently incorporated two new subsidiaries, HC (Ming) Pte. Ltd. and HC (AMK) Pte. Ltd. for two new endoscopy centres, as we seek to provide quality accessible healthcare to your doorstep.

According to Business Times[1], a Mercer Marsh Benefits' 2019 Medical Trends Around the World report stated that Singapore's healthcare cost was 10% in 2018, 10 times the estimated inflation rate of Singapore's economy. This has prompted the government to step in to rein in rising healthcare costs. In November 2018, the Ministry of Health published on its website, fee benchmarks for 222 common surgical procedures by private surgeons[2]. With a vision to build an organization dedicated to making private healthcare accessible to the broadest consumer base possible, we are confident that our business will not be affected by the ministry's disclosure of such fee benchmarks due to our competitive and reasonable pricing.

Moving forward, HCSS will continue to grow through identifying young talented specialists to join our family as well as acquisitions to further expand our suite of services. I would like to thank our shareholders, patients and business partners for their continuous support to HCSS, as well as my fellow Directors for their valuable contribution throughout the past years.

MR. CHONG WENG HOE
Non-executive Chairman and Independent Director

[1] Source: Business Times dated 10 June 2019
[2] Source: Ministry of Health website

CEO'S STATEMENT

It was an important milestone for HCSS when we were appointed by AIA as their exclusive colorectal cancer screening provider for their eligible policy holders.

Dear Shareholders,

FY2019 has been another milestone year for HCSS.

I want to thank our doctors, nurses and staff for their great work. We have good momentum in the business and are putting our unique strategy and ecological platform to serve patients as our priority and to bring "healthcare to your doorstep".

We had successfully spun off our associate, Medinex Limited ("Medinex"), on the Catalist Board of the SGX-ST, in December 2018. Coupled with higher revenue from existing subsidiaries and new subsidiaries, including Jason Lim Endoscopy and Surgery Pte. Ltd. ("JLES"), our FY2019 net profit to shareholders surged to a record high of S$7.2 million. Medinex is a Singapore-based provider of medical support services, specializing in setting up of clinics, pharmaceutical business, providing professional services to medical clinics, which included accounting and tax agent services, human resource management services and corporate secretarial services. Following its IPO, we continue to hold a 22.9% stake in Medinex.

As greater health awareness is created, due in a large part to the Singapore government's efforts, Singaporeans are increasingly getting medical insurance coverage. Hence the significant role of medical insurance companies in Singapore's healthcare has never been greater. It was an important milestone for HCSS when we were appointed by AIA Singapore Private Limited ("AIA") as their exclusive colorectal cancer screening provider for their eligible policy holders. Through this appointment, AIA will offer complimentary screening colonoscopy as part of its Early Detection Screening Benefit for eligible clients under their HealthShield Gold Max Essential A Saver and AIA Max VitalHealth A, and HCSS has been named as the exclusive health service provider for this benefit. We can expect this appointment to generate a recurring revenue stream for HCSS, as well as an additional source of patient referrals for our team of specialists.

We invested in Nuffield Dental Holdings Private Limited ("Nuffield") via a redeemable convertible loan in May 2019. Nuffield is run by Dr. Kumar, with a chain of 9 dental clinics in Singapore. In February 2019, Nuffield was ranked by

S$7.2

Million net profit to shareholders 2019

3

new doctors over 40 years of experience

9

endoscopy centres

the Straits Times as Singapore's second fastest growing company, with an impressive compound annual growth rate of 186.8% between 2014 and 2017[1]. We believe Nuffield has the potential for further growth and is part of our diversification towards a synergised business strategy.

Towards the end of the year, we continue to execute on our strategy for self-sustaining growth. We acquired a 25% stake in Medistar Services Pte. Ltd., which operates a general practitioner ("GP") clinic, The Ming Clinic, at Camden Medical Centre. The acquisition saw us welcome 3 veteran doctors with over 40 years of experience to the HCSS family, tapping on a broader network for patient referrals. The strategic location of the clinic will also help expand our GP network in central Singapore, putting us within close proximity to prime residential districts and private hospitals. In addition, we are setting up a new endoscopy centre within The Ming Clinic to tap on the vicinity's consortium of patients. This is in line with expanding our reach to a greater proportion of the population and another endoscopy centre will also be opened shortly in a bustling heartland area of Singapore. HCSS will then have a total of 11 endoscopy centres in Singapore.

We have established a stable base in Singapore, and the team is ready to venture into the ASEAN private healthcare market. We believe that the regional healthcare industry is anticipated to grow further, driven by an ageing population, the prevalence of chronic diseases, rising affluence, and the expanding middle class. As we embark on our expansion plans, we are very excited to welcome Heliconia Capital Management Pte. Ltd. ("Heliconia"), a wholly-owned subsidiary of Temasek Holdings (Private) Limited, which has invested S$5.0 million into HCSS via a convertible bond with an option to further step up their investment in the Group by another S$5.0 million. With Heliconia as our strategic partner, the Group intends to leverage on Heliconia's extensive network and value creation capabilities to facilitate and augment HCSS's growth in the ASEAN region. We will roll out our initiatives in Vietnam first. According to KPMG[2], expenditure in Vietnam is estimated to increase from US$16.1 billion in 2017 to about US$20.0 billion in 2020. Vietnam is one of the fastest rising economies in Asia with GDP growing 7.08% in 2018, the highest in 11 years. With solid economic growth, and rising personal income and health awareness, this has spurred the rise in Vietnam's healthcare expenditure, which represented 7.5% of the country's GDP.

The strength of our business is continuing into FY2020, as we aim for sustainable growth by growing our team of specialists and enhancing our specialist supporting platform, while maximizing shareholder returns through potential spin-offs like Medinex and dividend payouts.

We believe that the combination of macroeconomics trends and our demonstrated ability to execute are strong indicators of our capability to continue to grow the business for many years to come.

Last but not least, I take this opportunity to thank everyone for their continued support and wish one and all a great and healthy year ahead.

DR. HEAH SIEU MIN
Executive Director and Chief Executive Officer

[1] Source: The Straits Times dated 27 February 2019
[2] Source: KPMG Vietnam Webinar dated 30 November 2017

FY2019 YEAR IN REVIEW

4 JUN 2018

Completion of acquisition for Jason Lim Endoscopy and Surgery

20 SEP 2018

Acquisition of additional 50% stake in Medical Services @ Tampines

7 DEC 2018

IPO of Medinex

1 APR 2019

Appointed as exclusive screening provider for colorectal cancer by AIA for their eligible insured clients

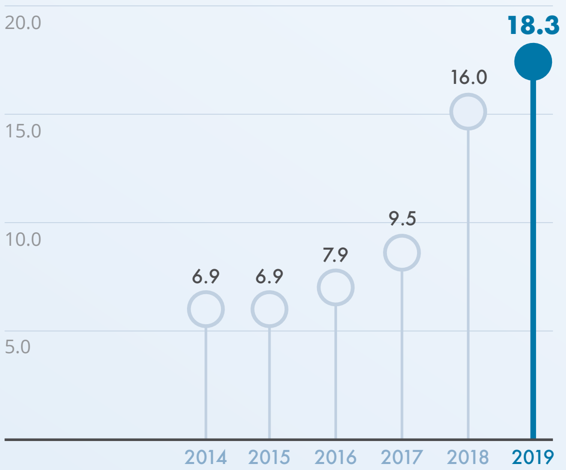
9 MAY 2019

JV and investment in Nuffield Dental Holdings

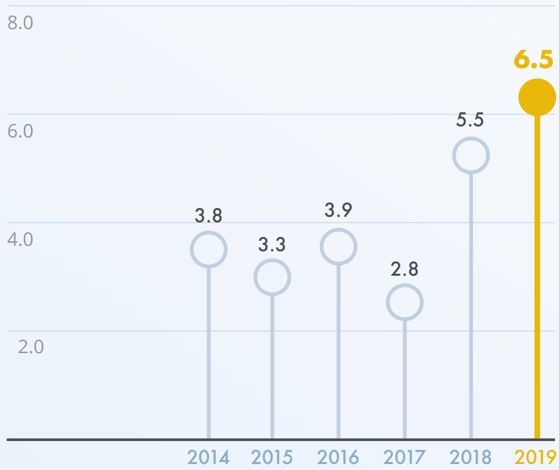
31 MAY 2019

Proposed acquisition of 25% stake in Medistar Services

SALES
(S$ million)

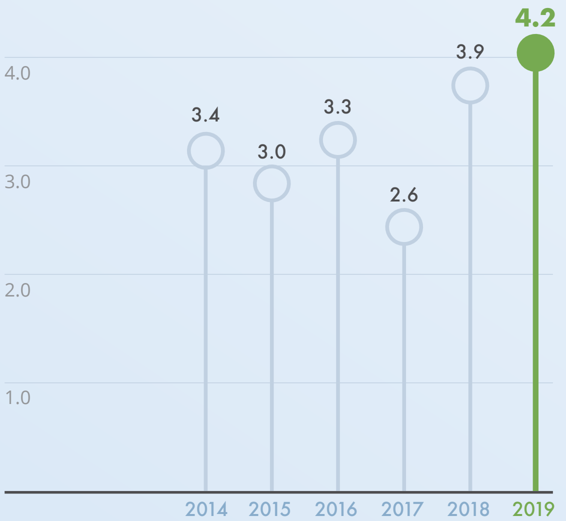


OPERATING INCOME*
(S$ million)



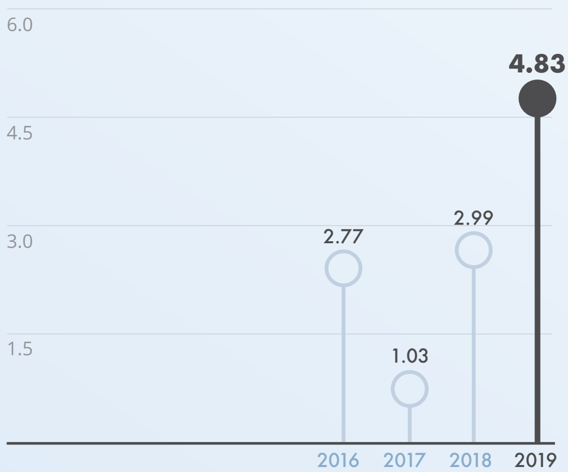
* *Profit before tax adjusted for non-recurring items, share of results of associates, other income and finance costs*

ADJUSTED PROFIT AFTER TAX TO OWNERS*
(S$ million)



* *Adjusted for non-recurring items, share of results of associates, other income and finance costs*

EARNINGS PER SHARE
(S$ cents)



PERFORMANCE REVIEW

FY2019 REVENUE
approximately
S$18.3
Million

▲ **14.3%** year-on-year

FY2019 PROFIT
after income tax
S$8.4
Million

▲ **52.8%** from FY2018

Our FY2019 revenue increased 14.3% year-on-year to approximately S$18.3 million, primarily due to increased revenue contributions from: (i) new subsidiaries acquired during the current financial year, which included JLES which commenced operations in August 2018 and Medical Services @ Tampines Pte. Ltd. ("MST") where an additional 50% equity interest was acquired in September 2018; and (ii) increased revenue from existing subsidiaries.

Other income increased by S$0.5 million mainly due to: (a) dividend income from investment in financial assets at fair value through profit or loss ("FVTPL") of S$0.3 million; and (b) gain from sale of X-ray business for MST of S$0.1 million. Gain on remeasurement of investment to fair value upon cessation of equity accounting of S$3.0 million in FY2019 (FY2018: S$Nil) arose from the recognition of financial assets at FVTPL following a de-recognition of investment in an associate in December 2018, which resulted from the loss of significant influences in an associate; Gain arising from deemed disposal in associates of S$0.1 million was related to the dilution in the Company's shareholding in Medinex resulting mainly from Medinex's IPO share placement and re-measurement of previously held equity interest in MST upon the acquisition of additional 50% equity interest in September 2018 (FY2018: NIL). Gain on disposal of investment in an associate of S$0.4 million was related to the disposal of 4 million Medinex shares held by the Company in connection with Medinex's IPO share placement (FY2018: NIL).

Employee benefits expense increased by S$0.8 million or approximately 14.4% for FY2019 as compared to FY2018 due to increased headcount from existing as well as new subsidiaries acquired during the current financial year, and higher accrual of bonus for the Group's existing staff.

Other expenses increased by S$1.0 million or approximately 49.8% for FY2019 as compared to FY2018 mainly due to (a) fair value loss on derivative financial instruments of S$0.5 million; and (b) allowance for impairment loss on goodwill of S$0.4 million (FY2018: NIL). Share of profits of an associate, net of tax, decreased by S$0.6 million in FY2019 as compared to FY2018, due to Medinex incurring one-off IPO expenses in December 2018, and ceased to be an associate of the Company after Medinex's IPO.

Income tax expense increased by S$0.5 million or approximately 84.1% in FY2019 due to (i) lower tax exemption and no corporate tax rebates (FY2018: 20% rebates capped at S$10,000) compared to the corresponding period in the previous financial year; (ii) use of group relief in FY2018; and (iii) higher profits recorded in FY2019. As a result of the abovementioned, profit after income tax increased by S$2.9 million or approximately 52.8% from S$5.5 million in FY2018 to S$8.4 million in FY2019.

FINANCIAL POSITION

Intangible assets comprise goodwill and computer software. The increase in intangible assets was primarily due to the increase in goodwill of S$1.2 million from the acquisitions of a 51% equity interest in JLES and an additional 50% equity interest in MST which were completed in June 2018 and September 2018 respectively. This was partially offset against allowance for impairment loss on goodwill for a subsidiary of S$0.4 million. The decrease in investments in associates, available-for-sale financial assets and held-to-maturity financial assets, and the increase in financial assets at FVTPL and debt instruments at amortised cost was due to (a) a reclassification in line with the adoption of SFRS(I)s; and (b) reclassification of investment in Medinex from investments in associates to financial assets at FVTPL, upon Medinex's IPO in December 2018. Other receivables increased by S$0.5 million mainly due to an interest-free loan to Zenmedic Capital Pte. Ltd. ("Zenmedic") for the purpose of funding the investment in Nuffield. Trade and other receivables increased by S$0.4 million mainly due to increased trade receivables outstanding from patients in line with increased revenue.

Other reserve of S$0.8 million arose primarily due to recognition of financial liability for forward purchase contract of a subsidiary.

The increase in derivative financial instruments was mainly due to fair value re-measurement in FY2019. Other financial liabilities comprise present value of the excercise price for the forward purchase contracts of subsidiaries relating to certain contractual payment obligations due under the acquisition terms for the relevant subsidiaries. The increase was primarily due to recognition of financial liability in FY2019. Trade and other payables increased by S$0.7 million mainly due to increase in trade payables in line with increased revenue; and higher accrual of expenses incurred by existing as well as new subsidiaries acquired during the current financial year. Bank borrowings decreased by S$1.8 million due to repayments of short-term loans for working capital purpose, drawn down during the previous financial year.

CASH FLOW

The Group recorded net cash from operating activities of S$6.8 million in FY2019 as compared to S$6.1 million in FY2018 due to higher operating receipts. The Group recorded net cash used in investing activities of S$0.3 million in FY2019 as compared to S$8.4 million in FY2018. In FY2019, net cash used in investing activities related to the loans to Zenmedic of S$0.6 million; payment for acquisition of subsidiaries of S$0.6 million; and purchase of plant and equipment of S$0.3 million. This was partially offset against proceeds from sale of Medinex shares of S$1.0 million and dividend income from investment in Medinex of S$0.3 million. The Group recorded net cash used in financing activities of S$6.5 million in FY2019, which was related to the payment of FY2018 final dividends of S$1.5 million and FY2019 interim dividends of S$1.5 million to shareholders; dividends paid to non-controlling interests of S$1.2 million; share buybacks of S$0.4 million; and repayments of bank borrowings of S$1.8 million. Overall, the Group recorded a net increase in cash and cash equivalents of S$0.04 million in FY2019.

BOARD OF DIRECTORS

MR. CHONG WENG HOE
Non-executive Chairman and Independent Director

Mr. Chong Weng Hoe was appointed as our Non-executive Chairman and Independent Director on 28 September 2016 and was re-elected on 26 September 2017. Since July 2013, he has been a Board Director and Executive Vice President of TÜV SÜD PSB Pte. Ltd. (previously known as PSB Corporation Pte. Ltd.) where he is responsible for its strategic business development in the ASEAN region. He has held numerous positions within TÜV SÜD PSB Pte. Ltd. since April 1991 where he joined as an engineer and was subsequently promoted to vice president, senior vice president, and chief executive officer. Mr. Chong was also an independent director of Regal International Group Ltd. from 4 March 2008 to 11 May 2019; and an existing independent director of Keong Hong Holdings Limited since 22 November 2011, both of which are listed on the Main Board of the SGX-ST.

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

DR. HEAH SIEU MIN
Executive Director and Chief Executive Officer

Dr. Heah Sieu Min was appointed as our Executive Director and Chief Executive Officer on 1 September 2015 and was re-elected on 28 September 2016. Dr. Heah Sieu Min is responsible for the overall management, strategic planning and business development of our Group. Dr. Heah started his career as a houseman in Ireland, before returning to Singapore where he served as a Medical Officer in Tan Tock Seng Hospital from 1992 to 1994. After moving to Singapore General Hospital in 1994, he held various positions including Registrar of the Department of Colorectal Surgery, Associate Consultant of the Department of Colorectal Surgery and Consultant of the Department of Colorectal Surgery until 2004. He then spent approximately 3 years as a Consultant for colorectal surgery at Pacific Colorectal Centre, before starting his own private practice in 2007, the Heah Colorectal Endoscopy & Piles Centre. He has since opened various other clinics including Heah Endoscopy & Piles Centre (Bukit Batok) and The Endoscopy & Piles Centre (Hougang).

Dr. Heah graduated from the National University of Ireland with a Bachelor of Medicine, Bachelor of Surgery in 1990. He is an accredited specialist in general surgery with the Singapore Ministry of Health, a registered specialist in general surgery with the Singapore Medical Council, and a fellow of the Royal College of Surgeons of Edinburgh as well as the Academy of Medicine Singapore. Dr. Heah has also been the recipient of several awards over the years including the Singapore General Hospital Service Quality Award, which he received consecutively for 3 years from 2000 to 2002, and SME Prestige award in 2013. In reservist, Dr. Heah attained the rank of Lieutenant Colonel and was Commanding Officer of the first Combat Support Hospital (1CSH) from 2008 to 2013. In 2012, he was awarded The Commendation Medal (National Day awards). In 2017, he became a Spirit of Enterprise honouree.

DR. CHIA KOK HOONG
Executive Director and Medical Director

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

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

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

MR. LIM CHYE LAI, GJAN
Non-Independent, Non-executive Director

Mr. Lim Chye Lai, Gjan was appointed as our Non-Independent Non-executive Director on 28 September 2016 and was re-elected on 26 September 2017. Mr. Lim has worked in the medical equipment industry for over 17 years. He started his career at Schmidt BioMedTech Pte. Ltd. in 2000 as a Sale Engineer before moving on to Olympus Medical Ltd. in 2001, where he served as their Regional Product Executive until 2005. In 2005, he joined Minimally Invasive Therapies Group, Medtronic, which is involved in the supply of minimally invasive therapies, and was the Business Unit Director of Singapore and Malaysia until August 2019. Mr. Lim has also been serving as the Chairman of Business Sub-Committee in the Medical Technology Industry Group since 2012, a group formed by various companies operating in the medical technology industry. Mr. Lim graduated from Temasek Polytechnic with a Diploma in Electronics in 1998.

MR. OOI SENG SOON
Independent Non-executive Director

Mr. Ooi Seng Soon was appointed as an Independent Non-executive Director on 28 September 2016 and was re-elected on 26 September 2017. With more than 26 years of experience in banking and finance, Mr. Ooi had worked in various positions in ABN AMRO Bank from 1974 to 1996, before joining Oversea-Chinese Banking Corporation Ltd., where he headed the Enterprise Banking division of the Bank of Singapore from 1997 to 1998 before his retirement. Mr. Ooi had previously served as independent director of NH Ceramics Limited (now known as Blackgold Natural Resources Limited), a company listed on the Catalist Board of the SGX-ST, and was an independent director of BRC Asia Limited from 2009 to 2018, which is listed on the Main Board of the SGX-ST. He was actively involved in board matters, having acted as Chairman of various board committees such as the audit committee and remuneration committee. Mr. Ooi graduated from the University of Singapore with a Bachelor of Arts in 1971.

KEY MANAGEMENT

MS. SOPHIA ONG
Chief Financial Officer

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

Ms. Ong is a chartered accountant with the Institute of Singapore Chartered Accountants with over 18 years of experience in accounting, audit and tax matters. She graduated from Nanyang Technological University with a Bachelor of Accountancy in June 2001.

MS. OUYANG YUXIA, CONNIE
Chief Operating Officer

Ms. Ouyang Yuxia Connie joined our Group in 2007 and has been appointed as our Chief Operating Officer on 1 June 2017. She is responsible for the overall operation of our Group's clinics including ensuring that every clinic within our Group conforms to a common operating procedure and process, obtains and maintains the necessary regulatory licences, and adheres to stringent standard of procedures, clinical guidelines and safety procedures. Ms. Ouyang has over a decade of experience in the healthcare industry, during which she gained extensive experience in the management and operation of clinics and healthcare centres. As a key employee of Heah Sieu Min (Mt E) Pte. Ltd. for more than 12 years, she has accumulated in-depth knowledge of the operation of our Group's clinics. Her past experience working as a lab technologist at SGH has also allowed her to gain an understanding of the field of endoscopic medicine.

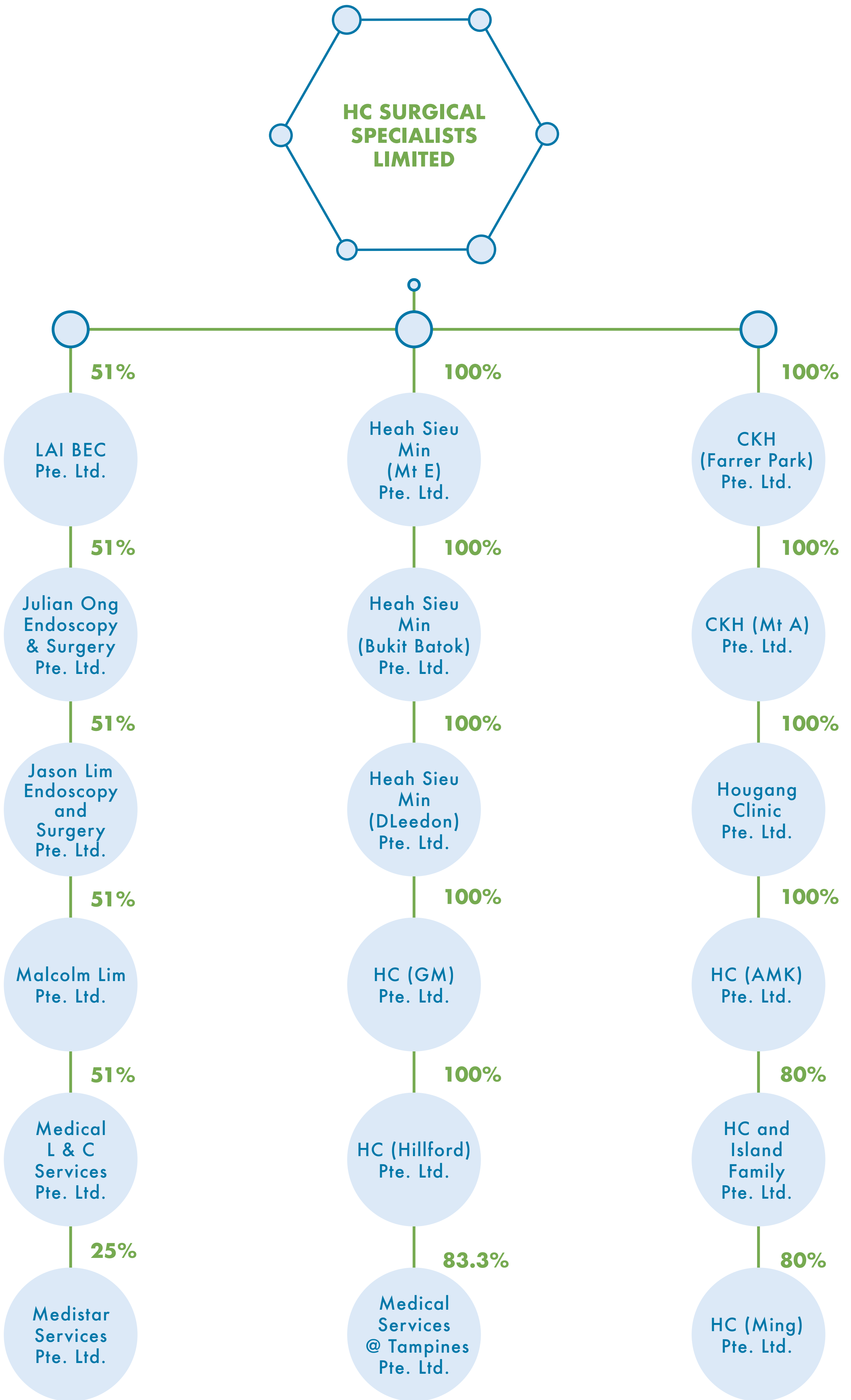
Ms. Ouyang graduated from Temasek Polytechnic with a Diploma in Biomedical Science in May 2003.

MS. CAI TING TING
Chief Nursing Officer

Ms. Cai Ting Ting has been with our Group since 2008 and was previously our Operations and Marketing Manager. She is re-designated to our Chief Nursing Officer on 1 March 2018 and is responsible in upholding the Group's nursing standards in accordance to the guidelines under the Ministry of Health, in addition to overseeing the Group's marketing plans. Ms. Cai previously worked at SGH, Tan Tock Seng Hospital and Novena Surgery from 2003 to 2008 where she assisted with surgical cases before joining Heah Endoscopy & Piles Centre (Bukit Batok) as a clinic nurse in 2008. She is a registered nurse with the Singapore Nursing Board with over a decade of experience in the field of surgical medicine.

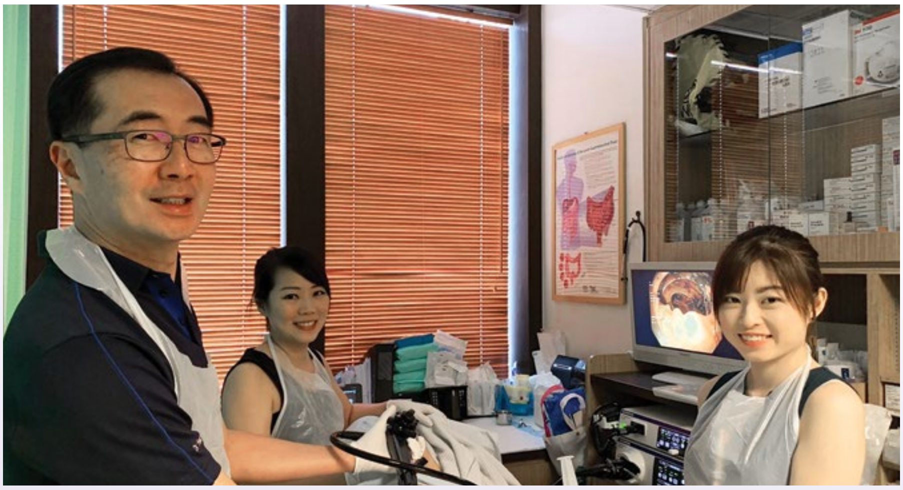
Ms. Cai graduated from the Institute of Technical Education in June 2003 with a Certificate in Nursing, and Nanyang Polytechnic in May 2007 with a Diploma in Nursing. She was the recipient of the Singapore General Hospital Service Quality Award in August 2003.

GROUP STRUCTURE



OUR SERVICES

Our 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.



Endoscopic procedures are either diagnostic or therapeutic, and can be used to identify and determine how best to treat conditions of the digestive system. During the procedure, a variety of instruments can be passed through the endoscope to diagnose and treat, among others, constipation, loose stools, irritable bowel syndrome, abdominal bloating, or discomfort and bleeding during motion.

Other conditions treated by our Group include:

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

OUR SERVICES

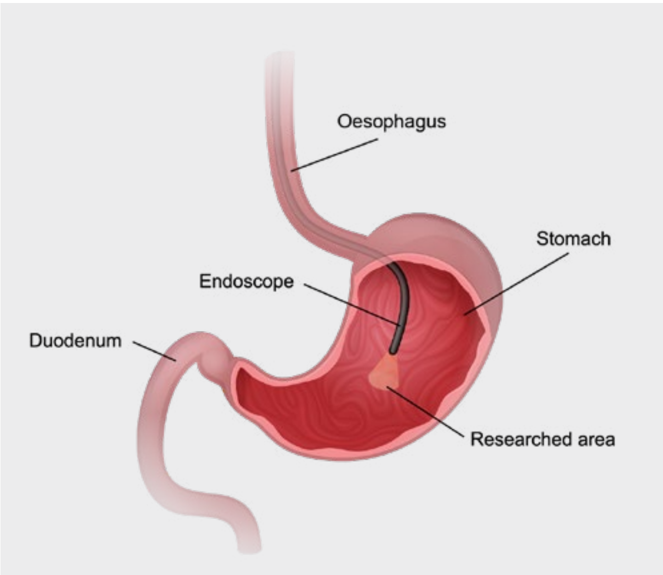
Information on some of the typical endoscopic procedures we perform, the conditions we treat and related treatments commonly carried out by us are set out as follows:

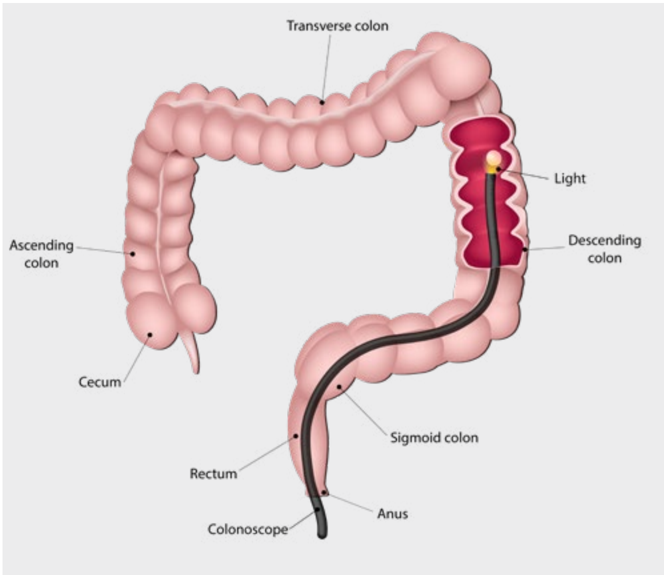
ENDOSCOPIC PROCEDURES

Endoscopy is a non-surgical procedure used to examine the digestive tract. An endoscope or colonoscope is a thin, flexible tube with light and camera attached at one end and is used to view the stomach/colon through a TV monitor. These are commonly done to evaluate:

1. Abdominal pain or discomfort
2. Epigastric pain
3. Bleeding in the digestive tract
4. Constipation, loose stools
5. Nausea, vomiting
6. Loss of weight
7. Anaemia

Polypectomies may also be performed during the procedure to remove any polyps (growths) found in the lining of the stomach/colon.





GASTROSCOPY

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

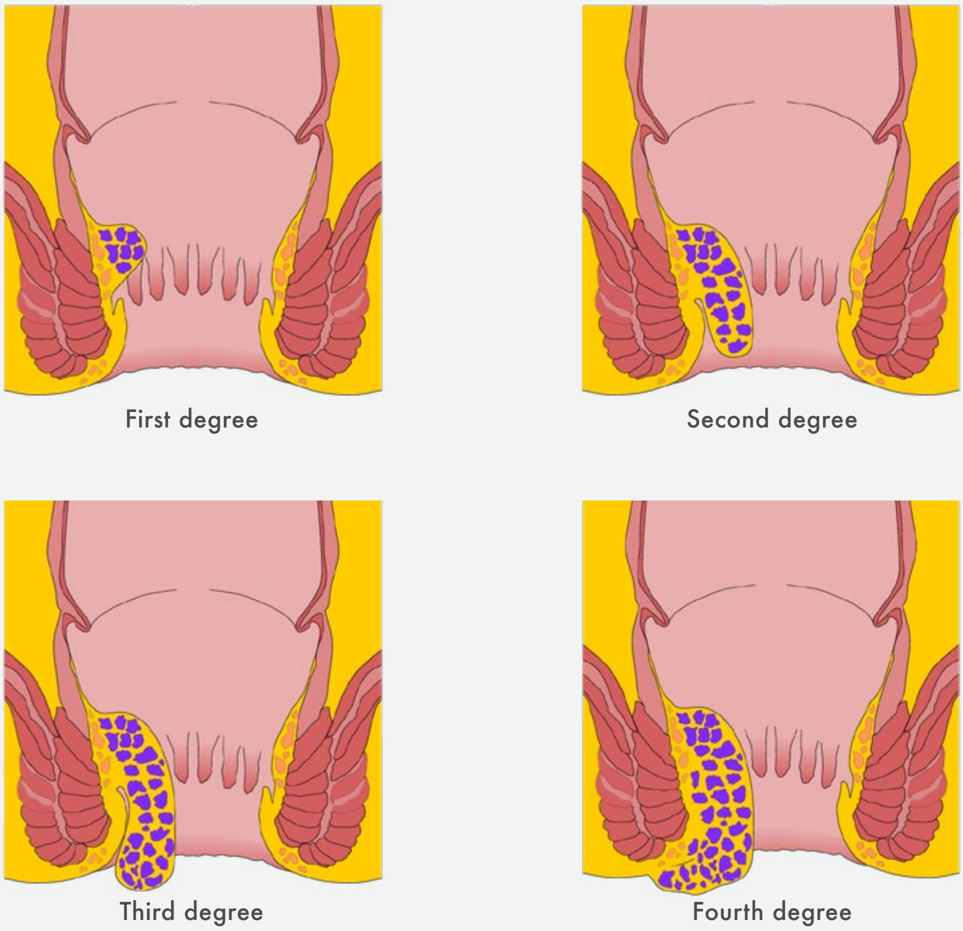
It is often used to:

- Investigate problems such as difficulty in swallowing or persistent abdominal pain.
- Diagnose conditions such as gastritis, stomach ulcers or gastro-oesophageal reflux diseases and stomach cancer.
- Treat conditions like bleeding ulcers, blockage in the oesophagus, polyps or small benign tumours.

COLONOSCOPY

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

TYPES OF OTHER DISEASES



HAEMORRHOIDS

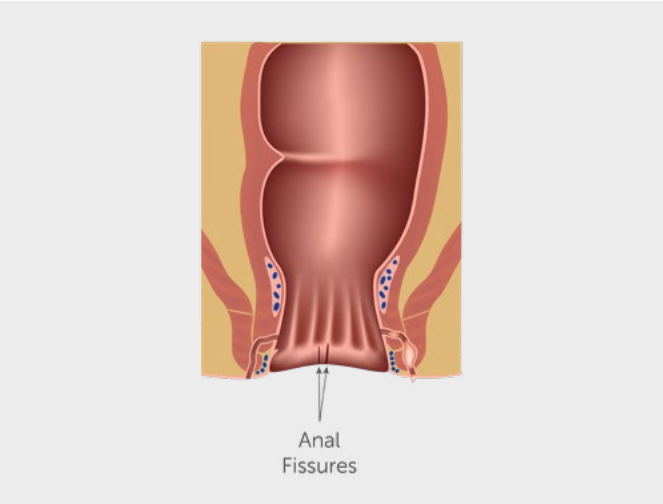
Haemorrhoids, commonly known as piles, are swelling or enlarged blood vessels found inside or around the rectum or anus. Symptoms typically include bleeding when passing motion and/or anal lump. Haemorrhoidectomy, Haemorrhoid Energy Therapy, and Ligation of Piles are some of the treatments done in our centres.

Piles can be classified into four stages:

- **First degree:**
  Internal piles that bleed, but do not prolapse past the anus (or 'pop out').
- **Second degree:**
  Piles that prolapse past the anus during bowel movement but reduce spontaneously.
- **Third degree:**
  Piles that are prolapsed and must be manually reduced.
- **Fourth degree:**
  Piles that are permanently prolapsed and cannot be reduced, or piles with painful blood clots.

OUR SERVICES

TYPES OF OTHER DISEASES

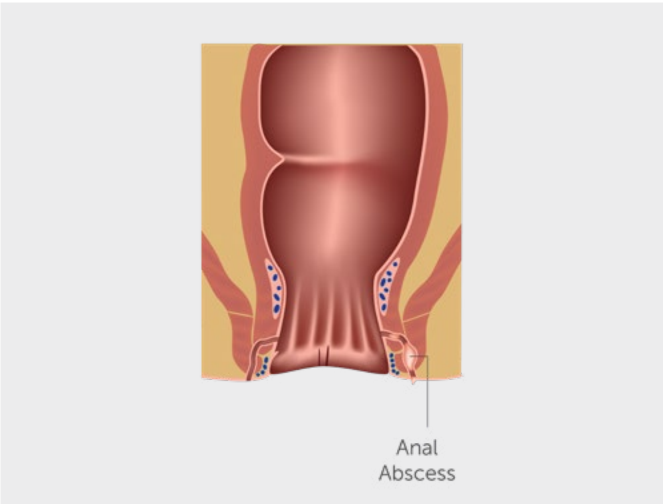


ANAL FISSURE

An anal fissure is a small tear in the mucosa lining of the anus. Anal fissures can be acute or chronic.

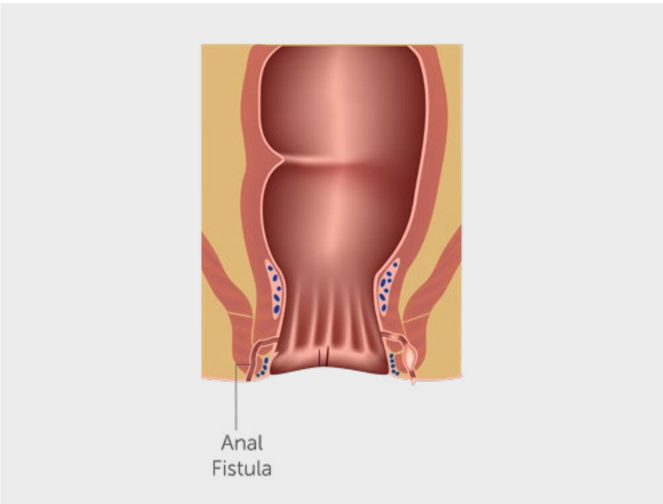
This usually occurs after passing out hard stools. Pain is often severe and common symptoms include:

- Sharp anal pain on defecation, especially after hard stools
- Throbbing pain that persists after passing motion
- Blood on passing motion
- Loose skin felt at area of pain (sentinel skin tag)



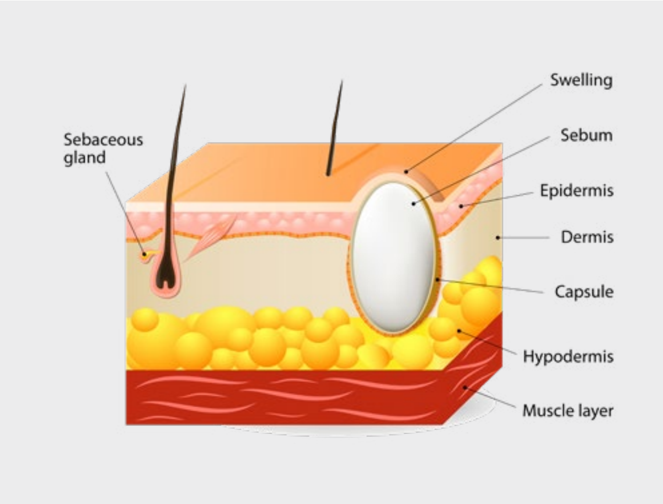
ANAL ABSCESS

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



ANAL FISTULA

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

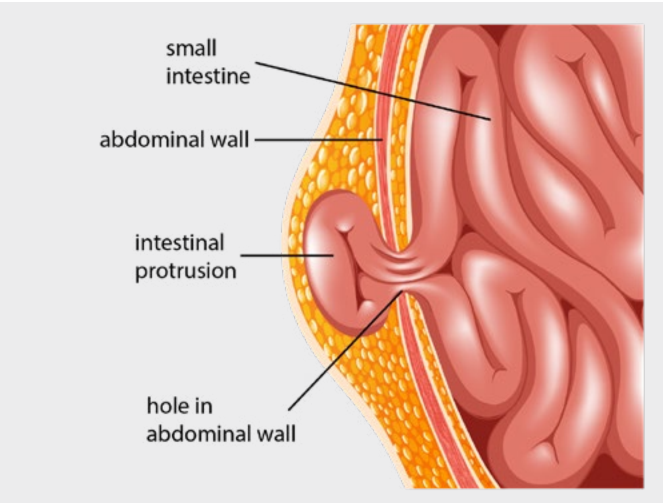


LIPOMAS AND CYSTS

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

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

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



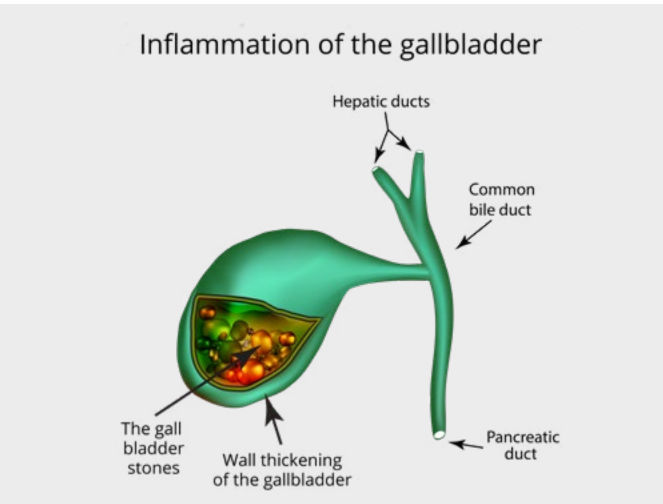
HERNIA

A hernia is a gap or space in the strong tissue that holds muscle in place. It occurs when the inside layers of the abdominal muscle weaken, resulting in a bulge tear. The inner lining of the abdomen pushes through the weakened area of the abdominal wall to form a small sac. Hernia can cause discomfort, severe pain or other potentially serious problems that could require emergency surgery.

There are currently 2 types of treatment for hernias:

1. **Open surgery**
   – where one cut is made to allow the surgeon to push the lump back into the abdomen.

2. **Laparoscopic (keyhole) surgery**
   – less invasive, but more difficult technique where several smaller cuts are made, to allow the surgeon to use various special instruments to repair the hernia.

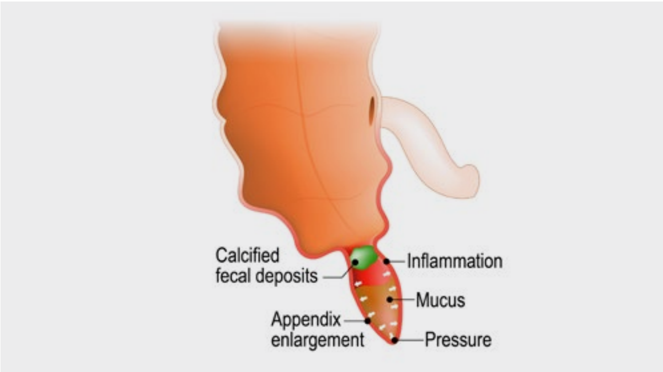


CHOLECYSTITIS

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

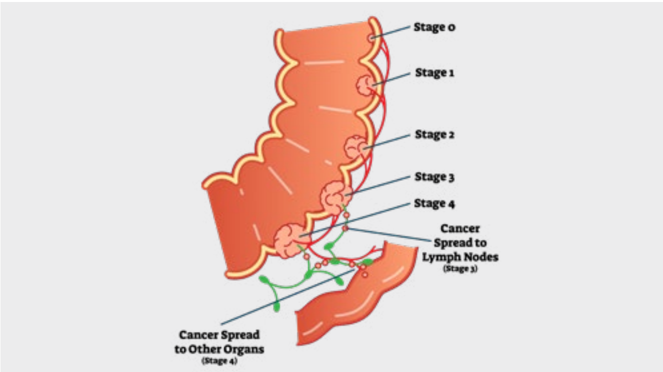
OUR SERVICES

TYPES OF OTHER DISEASES



APPENDICITIS

Appendicitis is the inflammation of the appendix, a finger-shaped pouch that projects from your colon on the lower right side of your abdomen. The appendix does not seem to have a specific purpose. Appendicitis causes pain in your lower right abdomen. However, in most people, pain begins around the navel and then moves. As inflammation worsens, appendicitis pain typically increases and eventually becomes severe. Although anyone can develop appendicitis, most often it occurs in people between the ages of 10 and 30. Standard treatment is surgical removal of the appendix.

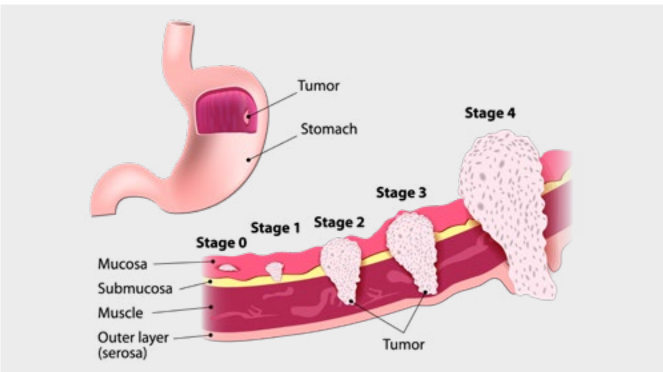


COLORECTAL CANCER

Colorectal cancer is the cancer of the colon and rectum. It develops from polyps that grow on the inner wall of the colon/rectum. Polyps are usually benign lumps. However, certain polyps may develop into cancer overtime. Polyps may be small and usually do not cause any symptom. For this reason, doctors recommend regular screening tests (colonoscopy) as a prevention by removing the polyps before they develop into colon cancer.

The common symptoms of colorectal cancer are:

- rectal bleeding
- change in bowel habits (e.g. constipation and diarrhoea)
- abdominal pain, bloating, symptoms of anaemia (fatigue, breathlessness, dizziness etc.)
- weight loss



GASTRIC CANCER

Stomach cancer, also known as gastric cancer, is cancer developing from the lining of the stomach. Early symptoms may include heartburn, upper abdominal pain, nausea and loss of appetite. Later stage signs and symptoms may include weight loss, yellowing of the skin and whites of the eyes, vomiting, difficulty swallowing and blood in the stool among others. The cancer may spread from the stomach to other parts of the body, particularly the liver, lungs, bones, lining of the abdomen and lymph nodes.

The most common cause is infection by the bacterium Helicobacter Pylori, which accounts for more than 60% of cases. Certain types of Helicobacter Pylori have greater risks than others. However, these can be treated medically if detected early.

Gastroscopy is used to diagnose the condition, after which gastrectomy may be done for the treatment (removal of part or whole of the stomach).

OTHER SERVICES

HOME CARE SERVICES

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

- Home Medical Services
- Home Nursing Services
- Home Physiotherapy Sessions
- Home Speech Therapy Services
- Home Occupational Therapy Visits
- Private Ambulance Services

OTHER ANCILLARY SERVICES

We also provide general consultation and diagnostic services for patients to aid in our diagnosis. This includes a range of diagnostic tests including blood tests, X-Rays, Ultrasound, CT Scans and MRIs.

OUR SPECIALISTS

DR. HEAH SIEU MIN
MBBCh, FRCSEd (General Surgery),
FAMS General Surgeon

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

Dr. Heah obtained his FAMS in general surgery in 2000. Dr. Heah established his private practice in 2007.

DR. CHIA KOK HOONG
MBBS (Singapore),
FRCSEd (General Surgery),
FAMS General Surgeon

Dr. Chia graduated from the National University of Singapore in 1986 with a Bachelor's degree in Medicine and Surgery. He obtained his FRCSEd in 1991, and in 1998, he was accredited as a specialist in General Surgery by the Ministry of Health. Dr. Chia had subspecialty training in vascular surgery and renal transplant surgery. He obtained his FAMS in 2000. After spending 23 years in the public healthcare sector, Dr. Chia established his private practice in 2009.

Dr. Chia had served as a member of professional committees such as the Ministry of Health Specialist Training Committee for General Surgery and is currently an elected member of the Singapore Medical Council.

DR. LAI JIUNN HERNG

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

Dr. Lai obtained his Bachelor's degree in Medicine and Surgery (MBBS) from the National University of Singapore in 1998. He went on to obtain his Membership in Surgery from the Royal College of Surgeons of Edinburgh (MRCSEd) in 2004, and received his Master of Medicine in Surgery (M.Med) from the National University of Singapore in 2005. He completed his advanced surgical training and was awarded the Fellowship in General Surgery from the Royal College of Surgeons of Edinburgh (FRCSEd) in 2009. He specialises in colorectal and general abdominal surgery, endoscopy and proctology. His subspecialties include minimally invasive and robotic colorectal surgery, advanced endoscopy and new techniques in piles and anal fistula surgery.

Dr. Lai is Past President of the Society of Colorectal Surgeons, Singapore (SCRS). He sits on the Board of Directors of Asia Pacific Endo-Laparoscopy Group (APELS) and is a lifetime member of the Endoscopic and Laparoscopic Surgeons of Asia (ELSA). Dr. Lai is teaching faculty at the Duke-NUS Medical School and is actively involved in undergraduate, post-graduate surgical teaching as well as endo-laparoscopic workshops for surgeons in the Asia Pacific region. Dr. Lai joined our group in November 2016.

DR. JULIAN ONG

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

Dr. Ong graduated from the National University of Singapore with a Bachelor's degree in Medicine. He completed his fellowships in the Royal College of Surgeons of Edinburgh in 2009, and subsequently obtained his Master's degree of Medicine (Surgery) from the National University of Singapore.

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

DR. JASON LIM

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

Dr. Jason Lim graduated from the Faculty of Medicine, National University of Singapore in 2006 with a Bachelor of Medicine and Bachelor of Surgery (MBBS). After completing his housemanship in Singapore General Hospital and his National Service in the Singapore Armed Forces, Dr. Lim commenced on his general surgical specialist training in 2009. He obtained the position of Registrar in the Department of Colorectal Surgery, Singapore General Hospital in 2011, and subsequently completed his Master of Medicine (Surgery) in 2012.

Dr. Lim was admitted as a Fellow of the Royal College of Surgeons, Edinburgh in 2015 and undertook a fellowship in Advanced Proctology, Functional Bowel Disorders and Pelvic Floor Disorders in Aarhus University Hospital, Denmark. He was a Consultant Surgeon in the Department of Colorectal Surgery, Singapore General Hospital prior to leaving for private practice. Dr. Lim is a member of the Medical Board and Department Quality Officer at Singapore General Hospital. Dr. Lim is also a Clinician Lead, Same Day Admission Centre. He is a co-Chair for both Clinical Quality Improvement Committee and Clinical Learning Environment Review Committee at SingHealth Surgical Residency Program. Dr. Lim joined our Group in August 2018.

OUR GENERAL PRACTITIONERS

DR. MALCOLM LIM
LRCP & SI, MB Bch, BAO (NUI)

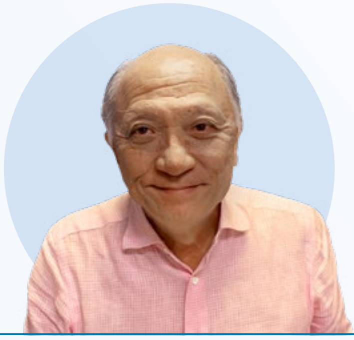
Dr. Lim graduated from the Royal College of Surgeons in Ireland with a Licentiate of the Royal College of Physicians of Ireland & Royal College of Surgeons in Ireland, Bachelor of Medicine and Bachelor of Surgery and Bachelor in the Art of Obstetrics in 1992. He completed his housemanship at the Singapore General Hospital and Kandang Kerbau Hospital from 1992 to 1993, after which he served as a medical officer with the Singapore Armed Forces for 2 years. In 1995, he joined Healthway Medical Group as a general practitioner, and in 2005, Dr. Lim moved to Pacific Healthcare Holdings where he worked as a general practitioner, before joining our Group in July 2016.

DR. TAN SEE LIN
LRCP & SI, MB Bch, BAO (NUI)

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

DR. LAI JUNXU
MBBS (Singapore), Dip (Fam Med), Dip (Pall Med), DWD (CAW)

Dr. Lai obtained his Bachelor's degree in Medicine and Surgery in 2008 from the National University of Singapore where he topped his cohort in Neuroscience and was the top student in the study of Obstetrics and Gynaecology. Since November 2013, Dr. Lai has been running the home care programme for patients from Yong-En Care Centre, and in 2014, he started his collaboration with Thye Hua Kwan Moral Charities Ensuite Care Services to provide home care services to needy patients. Dr. Lai completed his Graduate Diploma in Palliative Medicine in 2016, which enabled him to extend his home care services to benefit dying patients in their last days. He helped the Agency for Integrated Care's Holistic care for Medically-advanced patients (HOME) programme which is a palliative home care service for patients with end-stage organ diseases, and Jurong Health Services with their Sub-acute ambulatory care for Functionally challenged and/or Elderly (SAFE) programme. In 2016, Dr. Lai expanded his home care service by collaborating with Kwong Wai Shiu Hospital and the Home Nursing Foundation to help provide medical services at the homes of their patients. Dr. Lai joined our Group in June 2017.



DR. ROGER PANG
MBBS (HK), Dip. Ven. (London) DFD (Compressed Air Works)

Dr. Pang graduated from The University of Hong Kong in 1970. He is one of the three general physicians in The Ming Clinic, a long established group practice since 1982. He is trained in Hyperbaric Medicine in the Institute of Naval Medicine, UK. He is also an approved medical examiner for divers and compressed air workers. Dr. Pang joined our Group in June 2019.

DR. TAN HOOI HWA
B. Med. Sc (Hons), MBBS (Hons) Monash, M. Med. (Int Med.) A.M.

Dr. Tan graduated from Monash University in 1973. He is one of the three general physicians in The Ming Clinic, a long established group practice since 1982. He is an internist. Dr. Tan joined our Group in June 2019.

DR. WONG YIK MUN
MBBS (Singapore)

Dr. Wong graduated from National University of Singapore with a Bachelor of Medicine, Bachelor of Surgery in 1974. He is one of the three general physicians in The Ming Clinic, a long established group practice since 1982. He is also a designated workplace doctor and a medical examiner for offshore workers in the Oil and Gas industry (OGUK). Dr. Wong joined our Group in June 2019.

OUR ENDOSCOPY CENTRES

HC Surgical Specialists has nine Endoscopy centres island-wide with nine endoscopy rooms in total. Our endoscopy centres consist of a reception, waiting area, a consultation room and an endoscopy room.

HC Surgical Specialists has nine Endoscopy centres island-wide with nine endoscopy rooms in total. Our endoscopy centres consist of a reception, waiting area, a consultation room and an endoscopy room.

Two of our centres are located within Mt Elizabeth Medical Centre Orchard and Farrer Park Medical Centre. The other centres are strategically located around Singapore, providing healthcare at your doorstep, near to transportation hubs like MRT, bus interchanges.

Each endoscopy centre is licensed and fully equipped for day-case endoscopy and minor colorectal procedures. Our team of experienced administrative staff with trained and dedicated nurses ensure a high standard of patient care for all our patients.

The centre comes with an endoscopy room and a recovery area where patients can rest after procedure is completed. We also have built in washroom for patients' convenience to prepare their bowels before procedures like Colonoscopy.

OUR TEAM

OUR TEAM

HC Surgical Specialists Limited

1 **JULIAN ONG ENDOSCOPY & SURGERY**

Meera, Priscilla, Carol, Jolene, Dr. Julian Ong

2 **HEAH COLORECTAL ENDOSCOPY & PILES CENTRE**

Carrie, Yujie, Dr. Heah Sieu Min, Hazel, Jennifer

3 **JASON LIM ENDOSCOPY & SURGERY**

Farah, Julianah, Dr. Jason Lim, Emily, Melcia

4 **FINANCE TEAM**

Back: *Sandy, Sheau Teng, Tianyong, Wendy*
Front: *Theodora, Sophia, Regin*

5 **LAI ENDOSCOPY & COLORECTAL SURGERY**

Sheeny, Alice, Dr. Lai Jiunn Herng, Cassandra

6 **HEAH ENDOSCOPY & PILES CENTRE (BUKIT BATOK)**

Cecilia, Hui Theng

7 **ENDOSCOPY, VEINS & PILES CENTRE**

Carmen, Aqila

8 **HC ENDOSCOPY & PILES CENTRE (HILLFORD)**

Ting Ting, Jiasin

9 **THE ENDOSCOPY & PILES CENTRE (HOUGANG)**

Ariel, Kelly

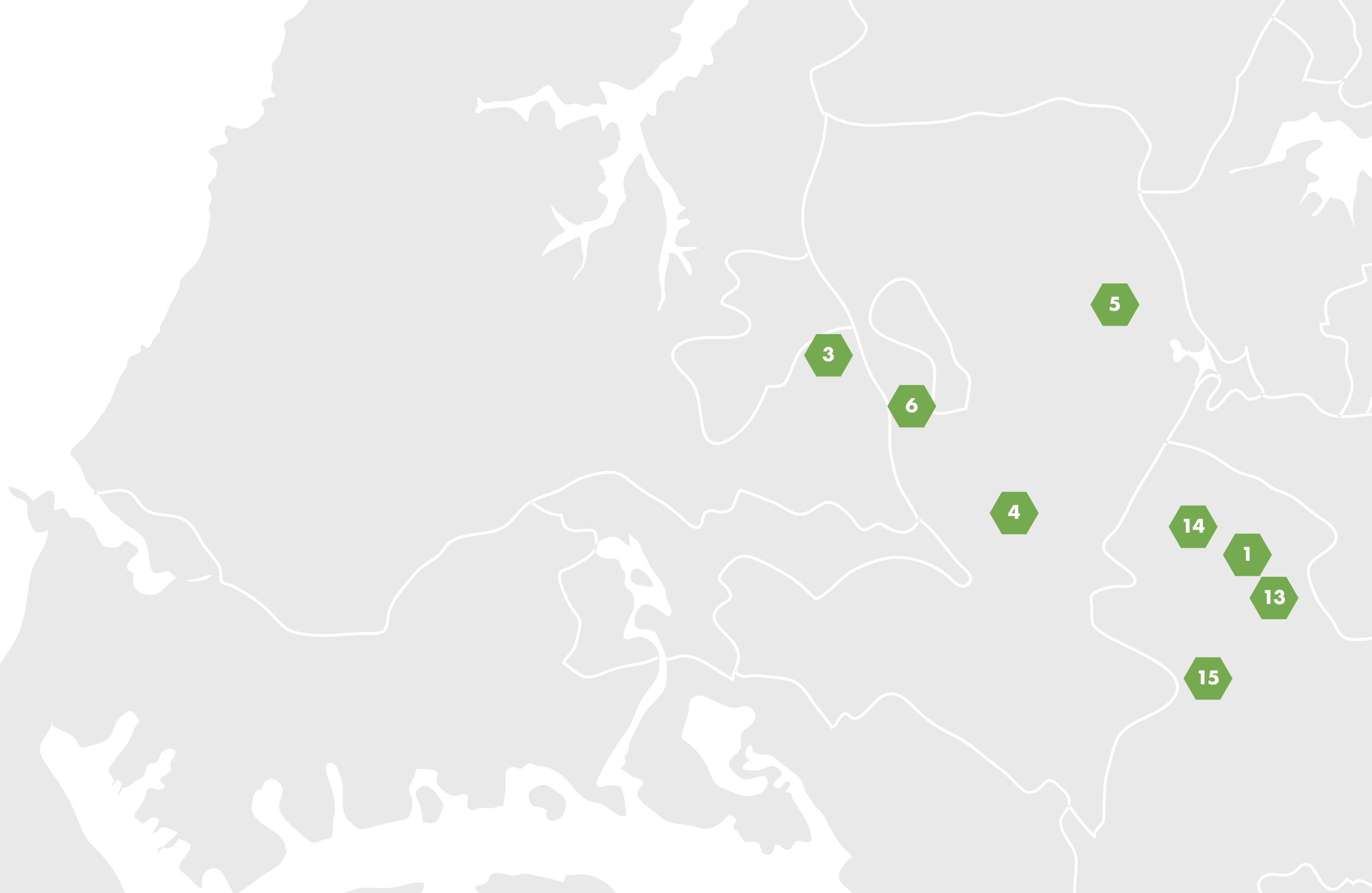
10 **TAMPINES ENDOSCOPY & SURGERY CENTRE**

Joyce, Farinah

11 **THE GP ENDOSCOPY & PILES CENTRE (DLEEDON)**

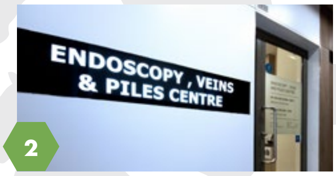
Melissa, Charmaine

LOCATIONS OF CLINICS



1

HEAH COLORECTAL ENDOSCOPY & PILES CENTRE
3 Mount Elizabeth #12-06
Mount Elizabeth Medical Centre
Singapore 228510
Tel: +65 6737 5335



2

ENDOSCOPY, VEINS & PILES CENTRE
1 Farrer Park Station Road
#13-13 Connexion
Singapore 217562
Tel: +65 6443 6240

3

HEAH ENDOSCOPY & PILES CENTRE (BUKIT BATOK)
Blk 644 Bukit Batok Central
#01-70 Singapore 650644
Tel: +65 6665 1355

4

HC ENDOSCOPY & PILES CENTRE (GM)
21 Ghim Moh Road
#01-141 Ghim Moh Gardens
Singapore 270021
Tel: +65 6265 4058

5

THE GP ENDOSCOPY & PILES CENTRE (DLEEDON)
19 Leedon Heights
#01-62 D'Leedon
Singapore 266227
Tel: +65 6463 5633

6

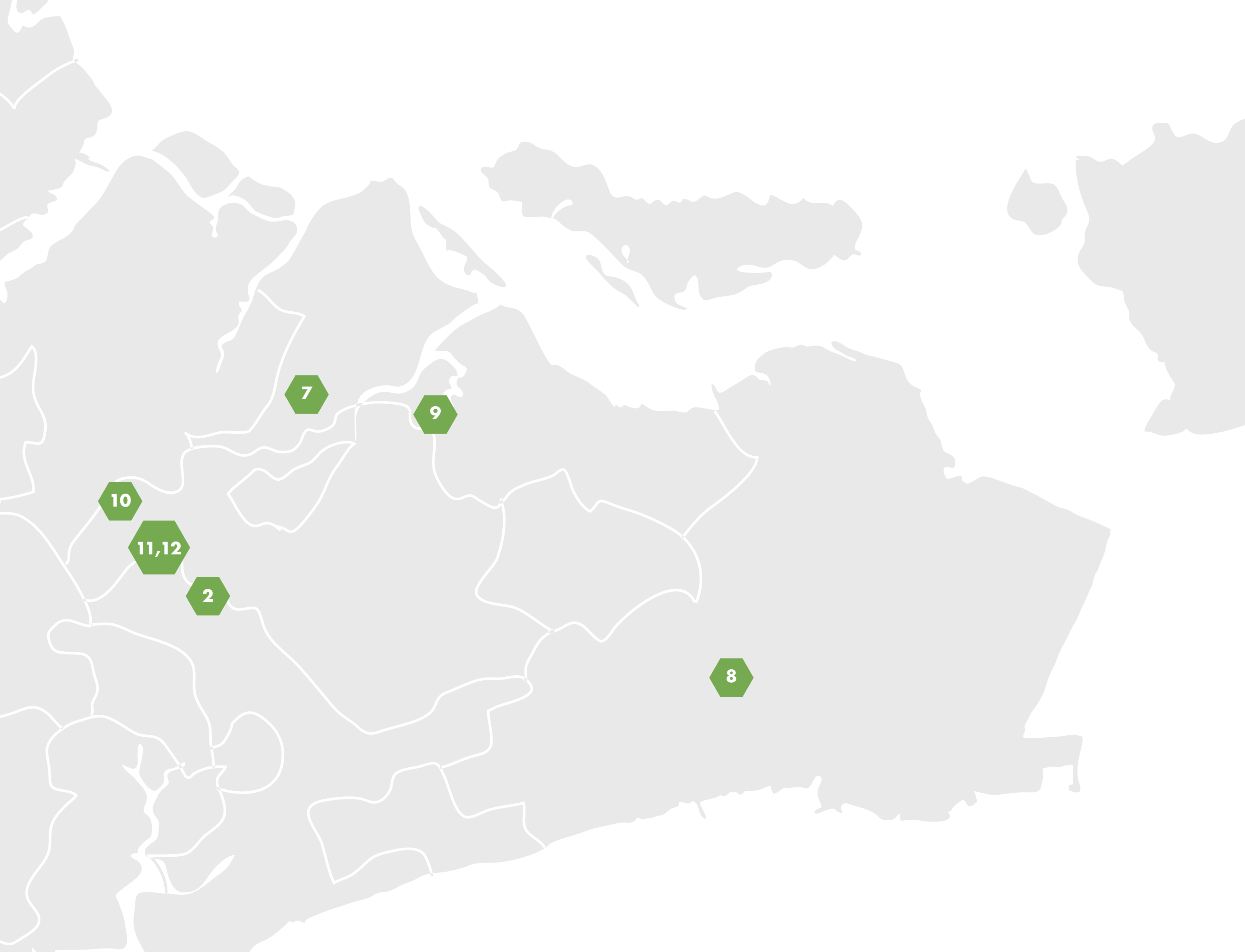
HC ENDOSCOPY & PILES CENTRE (HILLFORD)
182 Jalan Jurong Kechil
#01-66 The Hillford
Singapore 596152
Tel: +65 6463 4506

7

THE ENDOSCOPY & PILES CENTRE (HOUGANG)
Blk 684 Hougang Avenue 8
#01-981 (2nd floor)
Singapore 530684
Tel: +65 6686 6542

8

TAMPINES ENDOSCOPY & SURGERY CENTRE
Blk 801 Tampines Avenue 4
#01-273 Singapore 520801
Tel: +65 6786 0080

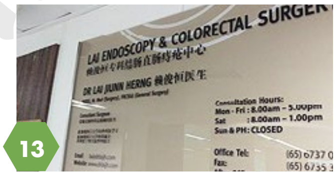


ISLAND FAMILY CLINIC AND ENDOSCOPY CENTRE
338 Anchorvale Crescent
#01-08 Singapore 540338
Tel: +65 6281 0174

HC THYROID HERNIA & GENERAL SURGERY CENTRE
820 Thomson Road #06-08
Mount Alvernia Medical
Centre A
Singapore 574623
Tel: +65 6254 0284

JULIAN ONG ENDOSCOPY & SURGERY
38 Irrawaddy Road #05-49
Mount Elizabeth Novena
Specialist Centre
Singapore 329563
Tel: +65 6694 0449

JASON LIM ENDOSCOPY & SURGERY (NOVENA)
38 Irrawaddy Road #05-49
Mount Elizabeth Novena
Specialists Centre
Singapore 329563
Tel: +65 6779 0115



LAI ENDOSCOPY & COLORECTAL SURGERY
3 Mount Elizabeth #05-06
Mount Elizabeth Medical
Centre
Singapore 228510
Tel: +65 6737 0027

ACMS MEDICAL CLINIC
1 Grange Road
#06-06 Orchard Building
Singapore 239693
Tel: +65 6262 5052

THE MING CLINIC
1 Orchard Boulevard
#04-01/02 Camden Centre
Singapore 248649
Tel: 6235 8166

COMING SOON

16 **HC MING ENDOSCOPY & PILES CENTRE**

17 **HC ENDOSCOPY & PILES CENTRE (AMK)**

CORPORATE INFORMATION

BOARD OF DIRECTORS

MR. CHONG WENG HOE
Non-executive Chairman and Independent Director

DR. HEAH SIEU MIN
Executive Director and Chief Executive Officer

DR. CHIA KOK HOONG
Executive Director and Medical Director

MR. LIM CHYE LAI, GJAN
Non-Independent Non-executive Director

MR. OOI SENG SOON
Independent Non-executive Director

AUDIT COMMITTEE

MR. OOI SENG SOON
(Chairman)

MR. CHONG WENG HOE

MR. LIM CHYE LAI, GJAN

REMUNERATION COMMITTEE

MR. CHONG WENG HOE
(Chairman)

MR. OOI SENG SOON

MR. LIM CHYE LAI, GJAN

NOMINATING COMMITTEE

MR. CHONG WENG HOE
(Chairman)

MR. OOI SENG SOON

MR. LIM CHYE LAI, GJAN

JOINT COMPANY SECRETARIES

MS. LIN MOI HEYANG

MS. TANG PEI CHAN

REGISTERED OFFICE

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

SHARE REGISTRAR

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

AUDITORS

BDO LLP

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

PRINCIPAL BANKERS

OVERSEA-CHINESE BANKING CORPORATION LIMITED

UNITED OVERSEAS BANK LIMITED

STANDARD CHARTERED BANK (SINGAPORE) LIMITED

CONTINUING SPONSOR

PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.

16 Collyer Quay
#10-00 Income At Raffles
Singapore 049318

INVESTOR RELATIONS

GEM COMM PTE. LTD.

1 Temasek Avenue Level 30
Singapore 039192

FINANCIAL CONTENTS

INTRODUCTION

HC Surgical Specialists Limited ("HCSS" or the "Company") and its subsidiaries (the "Group") are committed to maintaining a high standard of corporate governance to protect shareholders' interests and enhance shareholders' value. The Group adopts practices based on the revised Code of Corporate Governance 2012 (the "Code") issued on 2 May 2012 and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "SGX-ST") in January 2015 (the "Guide"). This report describes the Group's corporate governance practices that were in place throughout the financial year ended 31 May 2019 ("FY2019"), with specific reference made to the principles and guidelines as set out in the Code and SGX-ST Listing Manual Section B: Rules of the Catalist (the "Catalist Rules") where applicable except where otherwise stated. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

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

In addition, the principal duties of the Board include:

- Approve the corporate direction and strategy of the Group and monitor the performance of Management;
- Review the adequacy and integrity of the Company's internal controls, risk management systems, and financial information reporting system;
- Approve the nomination and appointment of key Management personnel;
- Approve the annual budget, major funding proposals and investment proposals, and ensuring the necessary financial and human resources are in place for the Company to meet its objectives;
- Review the financial performance and necessary reporting compliance;
- Set company values and standards (including ethical standards) and ensure that obligations to shareholders and other stakeholders are understood and met;
- Assume responsibility for corporate governance; and
- Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Delegation of Authority on Certain Board Matters

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

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

Meetings of the Board and Board Committees

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

The number of Board meetings and Board Committee meetings held in FY2019 and the attendance of Directors at these meetings are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Meetings held during FY2019	4	4	1	2
Name of Director		**Number of Meetings Attended**		
Mr. Chong Weng Hoe	4	4	1	2
Dr. Heah Sieu Min	4	4*	1*	2*
Dr. Chia Kok Hoong	2	1*	0*	0*
Mr. Lim Chye Lai, Gjan	3	3	1	2
Mr. Ooi Seng Soon	4	4	1	2

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

Training of Directors

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

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

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

The Directors are also encouraged to attend the relevant courses and programs from the Singapore Institute of Directors to be acquainted with the role and responsibilities of a Director in the context of a listed company.

The table below shows the trainings and briefings attended by the Directors in FY2019:

Name of Director	Course	Training Provider	Frequency
Mr. Chong Weng Hoe	SID Directors' Conference 2018	Singapore Institute of Directors	Once
	Readiness, Response and Recovery: The Role of a Board in a Crisis	Singapore Institute of Directors	Once
	Annual Corporate Governance Roundup	Singapore Institute of Directors	Once
Dr. Heah Sieu Min	CTP 7 - Best Practices for Board Effectiveness	Singapore Institute of Directors	Once
	CTP 8 - Navigating the Risk of Economic Sanctions	Singapore Institute of Directors	Once
	CTP 9 - Ethics and Corruption	Singapore Institute of Directors	Once
	Annual Corporate Governance Roundup	Singapore Institute of Directors	Once
	CTP 1 - When you Unknowingly Break the Trust	Singapore Institute of Directors	Once
	CTP 9 - Breaking the Rules: An Insider's Perspectives	Singapore Institute of Directors	Once
Dr. Chia Kok Hoong	CTP 7 - Best Practices for Board Effectiveness	Singapore Institute of Directors	Once
	SID Directors' Conference 2018	Singapore Institute of Directors	Once
	Annual Corporate Governance Roundup	Singapore Institute of Directors	Once
	CTP 1 - When you Unknowingly Break the Trust	Singapore Institute of Directors	Once
	CTP 9 - Breaking the Rules: An Insider's Perspectives	Singapore Institute of Directors	Once
Mr. Ooi Seng Soon	SID Directors' Conference 2018	Singapore Institute of Directors	Once
	Corporate Governance Code Briefing	Singapore Institute of Directors	Once
	Annual Corporate Governance Roundup	Singapore Institute of Directors	Once
	CTP 1 - When you Unknowingly Break the Trust	Singapore Institute of Directors	Once
Mr. Lim Chye Lai, Gjan	Annual Corporate Governance Roundup	Singapore Institute of Directors	Once
	CTP 9 - Breaking the Rules: An Insider's Perspectives	Singapore Institute of Directors	Once

Principle 2: Board Composition

The Board has 5 members and comprises the following:

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

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

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

Each year, the NC will review the size and composition of the Board and Board Committees and the skills and core competencies of its members to ensure an appropriate balance of skills, experience and gender. This is done via questionnaires conducted among the Board members, on the skills, experience and core competencies, amongst others, that they deemed relevant to the Group. In identifying Director nominees, the Board's policy is to consider the relevant experience and industry knowledge, and core competencies that may be lacking in the Board, and yet is important for the Group in the long-term, regardless of gender. The Board considers that its Directors possess the necessary competencies and knowledge to lead and govern the Group effectively. Key information regarding the Directors is set out in pages 10 to 11 of the Annual Report.

No individual or group within the Board dominates or is able to dominate the discussion process and decision-making. The Non-executive Directors will meet and discuss on the Group's affairs without the presence of Management on an ad-hoc basis, and this was done in FY2019.

The NC will determine the independence of each Director based on the definition of independence set out in the Code. For FY2019, the NC has reviewed and has confirmed the independence of the Independent Directors in accordance with the Code. There were no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent. Presently, none of the Independent Directors has served for more than nine (9) years.

Principle 3: Chairman and Chief Executive Officer

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

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

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

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

Pursuant to Guideline 3.4 of the Code, the Independent Directors have met without the presence of the other Directors in FY2019.

Principle 4: Board Membership

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

- Review and approve any new employment of related persons to Directors and proposed terms of their employment;
- Review of Board succession plans for Directors, in particular the Chairman and CEO;
- Development of a process for evaluation of the performance of the Board, the Board Committees and Directors;
- Review of training and professional development programs for the Board;
- Recommend to the Board on Board appointments, including re-nominations of existing Directors for re-election in accordance with the Company's Constitution, taking into account the Director's contribution and performance;
- Review the adequacy of the size of the Board, taking into consideration the scope and nature of operations of the Company. The Board must comprise members with an appropriate balance and diversity of skills, experience, gender and knowledge of the Company;
- Assess whether a Director is able to and has adequately carried out his duties as a Director of the Company in particular where the Director concerned has multiple Board representations; and
- Determine on an annual basis, whether a Director is independent, bearing in mind the relevant provisions of the Code and all other salient factors.

The NC has determined that the following Non-executive Directors of the Company to be independent:

Mr. Chong Weng Hoe
Mr. Ooi Seng Soon

In cases where a Director has multiple Board representations, the NC also assesses whether such Director has been adequately carrying out his duties as a Director of the Company. To address competing time commitments when Directors serve on multiple Boards, the Board had set a maximum limit of six (6) directorships that a Director may hold concurrently for listed companies. Although some of the Directors have multiple Board representations, the NC has considered and is satisfied that each of them is able to and has adequately carried out his duties as a Director of the Company for FY2019, given the sufficient time and effort taken to discharge their duties in the best interests of the Group. The considerations in assessing the capacity of Directors include expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity, geographical location of Directors, size and composition of the Board.

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

Description of the Re-election Process of Incumbent Directors

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

The NC has assessed and is satisfied that Mr. Chong Weng Hoe and Mr. Lim Chye Lai, Gjan have the appropriate skills and experience and have contributed sufficient time and guidance to the Board and Company. As such, the NC has recommended to the Board that Mr. Chong Weng Hoe and Mr. Lim Chye Lai, Gjan who are due to retire in accordance with the Company's Constitution, be re-elected at the forthcoming AGM.

Mr. Chong Weng Hoe will, upon re-election as a Director of the Company, remain as the Non-executive Chairman and Independent Director.

Mr. Lim Chye Lai, Gjan will, upon re-election as a Director of the Company, remain as the Non-Independent Non-executive Director.

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

The Company currently does not have any alternate Directors. Alternate Directors will be appointed as and when the Board deems necessary. Circumstances which warrant such appointments may include health, age related concerns as well as Management succession plans.

Description of the Selection and Nominating Process of New Directors

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

Key Information Regarding Directors

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

Principle 5: Board Performance

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

The evaluation process of the overall performance of the Board was conducted without an external facilitator for FY2019.

The performance criteria set to evaluate the effectiveness of the Board as a whole, Board Committees and individual Directors includes (i) risk management; (ii) time spent on discussing the strategy of the Group; (iii) knowledge and abilities; and (iv) ability to manage corporate crisis, if any. The Board has met the performance objectives for FY2019.

Principle 6: Access to Information

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

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

The Company Secretaries are responsible for, among other things, ensuring that Board procedures are observed and that the Company's Constitution, relevant rules and regulations, including requirements of the Singapore Companies Act, Chapter 50 (the "Act") and Catalist Rules, are complied with.

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

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

REMUNERATION MATTERS

Principle 7: Policy for Developing Remuneration Policies

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

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

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

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

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

Principle 8: Level and Mix of Remuneration

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

The Company adopts a remuneration policy for employees comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Company and the individual. The remuneration policy is aligned with the interests of the shareholders and promotes long-term success of the Group. No remuneration consultants were engaged by the Company in FY2019.

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

The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key Management personnel in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on actual performance of the Group and/or Company (and not forward-looking results) as well as the actual results of its Executive Directors and key Management personnel, "claw back" provisions may not be relevant or appropriate.

Principle 9: Disclosure on Remuneration

Remuneration of Directors and Key Management Personnel

Although the Code recommends full disclosure in aggregate to the nearest thousand dollars of the total remuneration paid to each individual Director and the CEO on a named basis, the Board, after reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director, is of the view that such disclosure would be prejudical to its business interest given the highly competitive environment.

Remuneration paid/payable to Executive Directors and key Management personnel are determined by the Board after considering the performance of the individual and the Company against comparable organisations. The total remuneration package of Executive Directors and key Management personnel comprises a fixed cash component, annual performance incentive and long-term incentive. The annual fixed cash component comprises the annual basic salary, statutory employer's contributions to the Central Provident Fund ("CPF") and other fixed allowances. The annual performance incentive is tied to the performance of the Group and respective key performance indicators allocated to the individual employee. To align the interests of the Directors and key Management personnel with the interests of shareholders, the Group has also adopted the HCSS Performance Share Plan ("HCSS PSP") and HCSS Employee Share Option Scheme ("HCSS ESOS") (collectively the "Share Plans"). The Executive Directors and key Management personnel had met their respective key performance indicators in respect of FY2019.

Directors' Remuneration

The breakdown of the remuneration of the Directors of the Company for FY2019 in bands of S$250,000, is set out below:

Directors	Fee %	Salary(1) %	Bonus(1) %	Other Benefits(2) %	Total %
S$750,001 and S$1,000,000					
Dr. Heah Sieu Min	–	70.0	28.0	2.0	100.0
S$500,001 and S$750,000					
Dr. Chia Kok Hoong	–	72.0	25.0	3.0	100.0
Below S$250,000					
Mr. Chong Weng Hoe	100.0	–	–	–	100.0
Mr. Ooi Seng Soon	100.0	–	–	–	100.0
Mr. Lim Chye Lai, Gjan	100.0	–	–	–	100.0

Notes:

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

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

Top 3 Key Management Personnel's Remuneration

The Company only has three (3) key Management personnel. The breakdown of the remuneration of the three (3) key Management personnel of the Company (who are not Directors or CEO) for FY2019 in bands of S$250,000 is as follows:–

Key Management Personnel	Fee %	Salary[1] %	Bonus[1] %	Other Benefits %	Total %
Below S$250,000					
Ms. Ong Soo Ling, Sophia	–	67.0	33.0	–	100.0
Ms. Ouyang Yuxia, Connie	–	70.0	30.0	–	100.0
Ms. Cai Ting Ting	–	66.0	34.0	–	100.0

Notes:

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

The aggregate total remuneration for the top three (3) key Management personnel (who are not Directors or CEO) is not disclosed as the Board is of the view that such disclosure would be prejudical to its business interest given the highly competitive environment.

There were no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeded S$50,000 during FY2019.

The Company did not grant any termination, retirement and post-employment benefits to the Directors, the CEO and the rest of the key Management personnel during FY2019.

Directors' Fees

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

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

In this regard, the Company will be seeking shareholders' approval at the AGM of the Company, for the payment of Directors' fees proposed for FY2019 amounting to S$100,000.

Share Plans

The Company has in place two Share Plans namely the HCSS PSP and HCSS ESOS.

HCSS PSP

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

There were no Awards granted under the HCSS PSP in FY2019. There were no Awards granted under the HCSS PSP to (i) Directors of the Company; (ii) participants who are controlling shareholders of the Company and their associates; and (iii) participants other than Directors of the Company and controlling shareholders of the Company and their associates, who receive Awards comprising shares representing five per cent (5.0%) or more of the aggregate of the total number of new shares available under the HCSS PSP and the total number of existing Shares purchased for delivery of Awards released under the HCSS PSP since the commencement of the HCSS PSP. The Company does not have a parent company.

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

Further details on the HCSS PSP are set out in the Company's Offer Document dated 25 October 2016.

HCSS ESOS

Summary of the HCSS ESOS	HCSS ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. HCSS ESOS is designed to primarily reward and retain employees whose services are vital to the Company's success.
Participants of the HCSS ESOS	HCSS ESOS allows for participation by confirmed employees of the Group (including the Executive Directors) and Non-executive Directors (including Independent Directors), controlling shareholders and their associates provided they have met the eligibility criteria.
Administration of the HCSS ESOS	The HCSS ESOS shall be administered by the members of the HCSS ESOS Administration Committee, which comprises the Nominating Committee and Remuneration Committee of the Company, which shall have the powers to determine, *inter alia*, the following:– (a) persons to be granted HCSS ESOS; (b) number of options to be offered; and (c) recommendations for modification to the HCSS ESOS.
Size of the HCSS ESOS	The aggregate number of shares which may be offered under the Share Plans should not exceed 15.0% of the Company's total issued capital (excluding treasury shares) on the date preceding the date of the relevant grant.
Exercise Period	No minimum exercise period is prescribed under the HCSS ESOS for options and the length of the exercise period in respect of each option will be determined on a case-by-case basis by the Administration Committee.
Exercise Price of options under the HCSS ESOS	The Exercise Price for each option shall be determined by the Administration Committee, in its absolute discretion, on the date of grant, at:– (a) a price equal to the market price; or (b) a price which is set at a discount to the market price, provided that: (i) the maximum discount shall not exceed 20.0% of the market price (or such other percentage or amount as may be determined by the Administration Committee and permitted by the SGX-ST); and (ii) the shareholders in general meeting shall have authorized, in a separate resolution, the making of offers and grants of options under the HCSS ESOS at a discount not exceeding the maximum discount as aforesaid.

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

There were no options granted under the HCSS ESOS since the adoption of the HCSS ESOS on 28 September 2016 to 31 May 2019. Further details on the HCSS ESOS are set out in the Company's Offer Document dated 25 October 2016.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

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

Principle 11: Risk management and Internal Controls

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

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by Management, AC, and the Board, the Board with the concurrence of the AC and internal auditors, is of the opinion that the Group's internal controls addressing financial, operational and compliance risks, and information technology controls and risk management systems were adequate and effective as at 31 May 2019. This is in turn supported by assurance from the CEO and the Chief Financial Officer ("CFO") that for the past twelve (12) months, (i) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) the Group's risk management and internal control systems are effective.

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

Principle 12: Audit Committee

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

- assist the Board of Directors in the discharge of its responsibilities on financial reporting matters;
- review the audit plans, scope of work, evaluation of the system of internal accounting controls, Management letter and Management's response, and results complied by the Group's internal and external auditors;

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

- review the effectiveness and adequacy of the Group's internal controls and procedures, including accounting, financial controls and procedures and ensure coordination between the Group's internal and external auditors, and Management;

- review the assistance given by Management to the auditors, and discuss problems and concern, if any, arising from the audit, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);

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

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

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

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

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

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

- review any potential conflicts of interest;

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

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

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

Besides scheduled meetings, the internal and external auditors as well as the AC Chairman have direct and open access channels of communication. For FY2019, the AC has met once with the internal and external auditors in the absence of Management.

During the course of review of the financial statements for FY2019, the AC discussed with Management and the external auditors on the significant issues that were brought to AC's attention. The material issues which the external auditors assessed to be most significant in its audit of the financial statements for the year under review have been highlighted in the key audit matters section of Independent Auditor's Report.

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

The AC reviews the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them. The total fees paid in respect of audit and non-audit fees to the external auditors, Messrs BDO LLP for FY2019 are as stated below.

External Auditors Fees for FY2019	S$	% of total fees
Total audit fees	201,000	100.0
Total non-audit fees	–	–
Total fees paid	**201,000**	**100.0**

There were no non-audit fees paid to the external auditors for FY2019.

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

The AC also conducts reviews of all interested person transactions ("IPTs") to ensure that all IPTs of the Company are properly documented. Accordingly, the AC is satisfied that all material IPTs for FY2019 which warrant disclosure or further discussion have been properly reviewed and announced, where applicable; and there are no improprieties in this area.

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

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

Principle 13: Internal Audit

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

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

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

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

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

The AC has reviewed the adequacy and effectiveness of the internal audit function and is satisfied that it is effective, adequately resourced and has appropriate standing within the Company in FY2019.

SHAREHOLDER RIGHTS

Principle 14: Shareholder Rights

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

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Communication with Shareholders

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

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

The Company does not have a fixed dividend policy. However, the Directors intend to recommend and distribute dividends of not less than 70.0% of the Group's operating profit after tax to shareholders for FY2017, FY2018 and FY2019 as stated in the Offer Document. The Company may declare an annual dividend with the approval of the shareholders in a general meeting, but the amount of such dividend shall not exceed the amount recommended by the Board. The Board may also declare an interim dividend without the approval of the shareholders. For FY2019, the Company had paid an interim dividend of 1.0 Singapore cents per ordinary share and is recommending a final dividend of 1.2 Singapore cents per ordinary share to be approved by shareholders at the forthcoming AGM. Subject to shareholders' approval of the final dividend, the aggregate amount of dividends recommended and/or distributed per ordinary share would be 2.2 Singapore cents for FY2019, representing approximately 45.5% of the Group's earnings per share of 4.83 Singapore cents for FY2019, and 70.6% of the Group's operating profit after tax.

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

Principle 16: Conduct of Shareholder Meetings

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

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

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

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

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

DEALINGS IN SECURITIES

Catalist Rule 1204(19)

In line with Catalist Rule 1204(19) regarding the dealings in securities, the Company issues a quarterly circular to its Directors, officers and employees reminding them of the restrictions on dealings in the Company's securities during the period commencing two (2) weeks before announcement of the Company's results for the first three quarters, and one (1) month before the announcement of the Company's full year results, and ending on the date of the announcement of the relevant results. Directors, officers and employees are also directed to refrain from dealing in the Company's securities at any time they are in possession of unpublished price sensitive information, or on short-term considerations.

MATERIAL CONTRACTS

Save for those disclosed under the section "Interested Person Transactions", there were no material contracts entered into by the Company and its subsidiaries involving the interests of its CEO, Directors or controlling shareholders which are either still subsisting at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS ("IPTs")

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

The Company does not have any prior shareholders' mandate pursuant to Catalist Rule 920. There were no IPTs of S$100,000 and above entered into in FY2019.

NON-SPONSOR FEES

There were no non-sponsor fees paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. in FY2019 (FY2018: S$6,000).

SUSTAINABILITY REPORTING

Catalist Rule 711A, 711B

The Company is working towards the issuance of its sustainability report by 30 September 2019 and such report will be made available to shareholders on the SGXNET and the Company's website in due course.

USE OF PROCEEDS

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

Use of IPO net proceeds	Amount allocated (S$'000)	Amount allocated after reallocations (S$'000)	Amount utilised (S$'000)	Balance (S$'000)
Expand business operations locally and regionally	2,800	5,075[1][2]	(5,075)[3]	–
Expand surgical facilities	1,200[2]	125[2]	(125)[4]	–
Working capital	2,180[1]	980[1]	(980)[5]	–
Total	6,180	6,180	(6,180)	–

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.

An additional S$275,000 of the IPO net proceeds initially allocated for the Group's expansion of surgical facilities were reallocated to expand the Group's business operations locally and regionally, for the proposed acquisition of 25% of the equity interest in Medistar Services Pte. Ltd. ("Medistar"). Please refer to the Company's announcement on 31 May 2019 for further details.

(3) Utilised for the following:-

(a) investment in 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;
(e) acquisition of JLES – S$628,000;
(f) acquisition of additional 50% stake in Medical Services @ Tampines Pte. Ltd. - S$135,000; and
(g) acquisition of Medistar - S$480,000.

(4) Utilised for the following:-

(a) purchase of medical equipment and consumables for HC and Island Family Pte. Ltd. – S$112,000; and
(b) purchase of medical equipment – S$13,000.

(5) Utilised for payments related to consultancy fee, professional fee, insurance, advertising and promotion and rental expenses.

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 announcements dated 1 June 2017, 7 May 2018 and 31 May 2019.

DIRECTORS' STATEMENT

The Directors of HC Surgical Specialists Limited (the "Company") present their statement to the members together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 May 2019 and the statement of financial position of the Company as at 31 May 2019.

1. OPINION OF THE DIRECTORS

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2019, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

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

2. DIRECTORS

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

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

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Shareholdings registered in the name of Directors or nominees		Shareholdings in which Directors are deemed to have an interest	
	Balance at 1 June 2018	Balance at 31 May 2019	Balance at 1 June 2018	Balance at 31 May 2019
The Company	Number of ordinary shares			
Mr. Chong Weng Hoe	150,000	167,600	–	–
Dr. Heah Sieu Min	63,988,980	63,988,980	–	–
Dr. Chia Kok Hoong	34,753,440	34,753,440	–	–
Mr. Lim Chye Lai, Gjan	220,000	220,000	30,000	30,000

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

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the register of Directors' shareholdings, the Directors' interest as at 21 June 2019 in the shares of the Company have not changed from those disclosed as at 31 May 2019.

5. SHARE OPTIONS

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

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

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

Employee Share Option Scheme

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

Performance Share Plan

The Company has implemented a Performance Share Plan known as the HCSS Performance Share Plan ("HCSS PSP"). The HCSS PSP was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 28 September 2016. 16,100 shares were granted to an employee pursuant to the HCSS PSP as at the date of this report.

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

(xi) reviewing any potential conflicts of interest;

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE (CONTINUED)

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

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

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

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

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

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

7. INDEPENDENT AUDITORS

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

On behalf of the Board of Directors,

DR. HEAH SIEU MIN
Director

DR. CHIA KOK HOONG
Director

Singapore
29 August 2019

INDEPENDENT AUDITORS' REPORT

To the Members of HC Surgical Specialists Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of HC Surgical Specialists Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 65 to 147, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 May 2019;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 May 2019, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

KEY AUDIT MATTER	AUDIT RESPONSE
1 Impairment assessment of goodwill	
As at 31 May 2019, the Group's goodwill amounted to approximately $5,848,000 which included goodwill of approximately $1,172,000 arising from new acquisitions during the financial year. Under SFRS(I) 1-36 *Impairment of Assets*, the Group is required to test goodwill for impairment annually, or more frequently if there are indicators that goodwill may be impaired. For the purpose of impairment assessment, the management applied the value-in-use (discounted cash flow forecasts) method to determine the recoverable amounts for the respective cash generating units to which the goodwill belong. Any shortfall between the recoverable amount and the carrying amount of the respective cash generating unit would be recognised as an impairment loss. Arising from the assessment, an impairment loss of goodwill of approximately $415,000 was recognised during the financial year. We have determined impairment assessment of goodwill to be a key audit matter as the impairment assessment involved significant management judgements and estimates with regard to the key assumptions used in estimating the discounted future cash flows, such as the revenue growth rates and the discount rate. Refer to Notes 3.2(ii) and 5 to the accompanying financial statements.	We performed the following audit procedures, amongst others: • Discussed with management and evaluated the reasonableness of the key assumptions made by management, including performing analytical procedures and comparing the revenue growth rates against historical performance and industry outlook, as appropriate; • Engaged our internal valuation specialists to evaluate reasonableness of the discount rate used; • Performed sensitivity analysis around the key assumptions, including the revenue growth rates and discount rate used in the cash flow forecasts; and • Assessed the adequacy of the disclosure in the financial statements with respect to the goodwill impairment.

KEY AUDIT MATTER	AUDIT RESPONSE
2 Impairment assessment of investments in subsidiaries	
As at 31 May 2019, the carrying amount of the Company's investments in subsidiaries amounted to approximately $6,218,000. The subsidiaries comprise a network of clinics located throughout Singapore and are primarily engaged in providing medical services such as endoscopic procedures, including gastroscopies and colonoscopies, and general surgery services with a focus on colorectal procedures. During the financial year ended 31 May 2019, arising from indicators of impairment in certain subsidiaries, the management carried out an impairment assessment to determine whether an impairment loss should be recognised in the financial statements. Management determined the recoverable amounts based on the value-in-use calculations by estimating the expected discounted future cash flows to be derived from the investments in those subsidiaries. Arising from the assessment, an impairment loss of approximately $458,000 was recognised on the investments in subsidiaries during the financial year. We focused on the impairment assessment of the subsidiaries as a key audit matter owing to the significant management judgements and estimates involved in the key assumptions used in estimating the expected discounted future cash flows, such as the revenue growth rates and the discount rate. Refer to Notes 3.2(i) and 6 to the accompanying financial statements.	We performed the following audit procedures, amongst others: • Discussed with management and evaluated the reasonableness of the key assumptions made by management, including performing analytical procedures and comparing the revenue growth rates against historical performance and industry outlook, as appropriate; • Engaged our internal valuation specialists to evaluate reasonableness of the discount rate used; • Performed sensitivity analysis around the key assumptions, including the revenue growth rates and discount rate used in the cash flow forecasts; and • Assessed the adequacy of the disclosure in the financial statements with respect to impairment assessment of investments in subsidiaries.

KEY AUDIT MATTER	AUDIT RESPONSE

3 Fair value measurement of financial asset measured at fair value through profit or loss ("FVTPL")

Key audit matter

Upon adoption of SFRS(I) 9 *Financial Instruments*, the Group recognises and measures the investment of 40% unquoted equity interest including capital contribution in HSN Healthcare Pte. Ltd. ("HSN") as financial asset measured at FVTPL. The management determined that the Group did not have significant influence or control over HSN.

Management has engaged an independent valuer in deriving the fair value of the investment in HSN. Based on the independent valuation as at 31 May 2019, the fair value of approximately $1,092,000 was determined using discounted cash flow method (the "income approach").

We focused on this area as a key audit matter due to the significant management judgements involved in determining the fair value of the investment as at the financial year end, taking into account that the fair value is measured using significant unobservable inputs (Level 3).

Refer to Notes 3.1(i) and 11 to the accompanying financial statements.

Audit response

We performed the following audit procedures, amongst others:

- Assessed the independence and competency of the independent valuer which included considering their experiences and qualification in performing valuations for the investment;
- Assessed the reasonableness of the key assumptions and estimates used in the future cash flows, including the revenue growth rates;
- Engaged our internal valuation specialists to evaluate the valuation methodologies used and reasonableness of the key assumptions used (i.e. discount rate and terminal growth rate), and to benchmark the Enterprise Value/ Sales multiples against comparable companies; and
- Assessed the adequacy of the related disclosure in the financial statements with respect to fair value measurement of the financial asset measured at FVTPL.

KEY AUDIT MATTER	AUDIT RESPONSE
4 Fair value measurement of derivative financial instruments	
As at 31 May 2019, the derivative financial instruments in relation to the option to re-purchase granted to the vendors and forward purchase contracts in connection with the Company's further acquisition of the remaining non-controlling interest as disclosed in Note 6 to the financial statements are stated at their fair values based on independent external valuations. They are considered as level 3 recurring fair value measurements. The significant judgement and assumptions to the valuations include the volatility rate, risk-free rate and equity value. We have determined fair value of derivative financial instruments to be a key audit matter owing to the significant management judgements and estimations involved in determining the probability of exercising the options to re-purchase by vendors and key assumptions used. Refer to Notes 3.2(iv), 6 and 14 to the accompanying financial statements.	We performed the following audit procedures, amongst others: • Assessed the independence and competency of the external valuer which included considering the valuer's experiences and qualification in performing valuations for such derivative financial instruments; • Discussed with management and evaluated the reasonableness of the key assumptions used to derive the equity value; • Engaged our internal valuation specialists to evaluate the valuation methodologies and reasonableness of the key assumptions used (i.e. volatility rate and risk free rate) by external valuer; • Assessed the reasonableness of the probability of exercising the options to re-purchase by the respective vendor; and • Assessed the adequacy of the disclosure in the financial statements with respect to fair value measurement derivative financial instruments.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of HC Surgical Specialists Limited

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
29 August 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2019

	Note	Group			Company		
		31 May 2019 $'000	31 May 2018 $'000	1 June 2017 $'000	31 May 2019 $'000	31 May 2018 $'000	1 June 2017 $'000
ASSETS							
Non-current assets							
Plant and equipment	4	1,099	1,359	1,440	47	28	41
Intangible assets	5	5,863	5,115	3,421	–	1	3
Investments in subsidiaries	6	–	–	–	6,218	5,808	4,316
Investments in associates	7	–	5,708	–	–	5,381	–
Investment in joint ventures	8	90	–	–	90	–	–
Debt instruments at amortised cost/Held-to-maturity financial assets	9	2,000	2,000	–	2,000	2,000	–
Available-for-sale financial assets	10	-	1,028	536	-	1,028	536
Financial assets at fair value through profit or loss ("FVTPL")	11	9,211	–	–	9,211	–	–
Deferred tax assets	12	2	2	2	-	–	–
Advance payments	13	139	300	–	139	300	–
Derivative financial instruments	14	–	–	–	542	–	–
Other receivables	13	536	–	–	536	–	–
		18,940	15,512	5,399	18,783	14,546	4,896
Current assets							
Inventories	15	311	220	125	–	–	–
Trade and other receivables	13	2,148	1,708	1,108	2,309	2,974	3,729
Prepayments		186	211	181	68	68	74
Cash and bank balances	16	5,027	4,988	8,757	2,061	2,366	6,308
		7,672	7,127	10,171	4,438	5,408	10,111
Total assets		26,612	22,639	15,570	23,221	19,954	15,007
EQUITY AND LIABILITIES							
Equity							
Share capital	17	14,433	14,433	13,014	14,433	14,433	13,014
Treasury shares	18	(541)	(321)	–	(541)	(321)	–
Merger reserve	19	(815)	(815)	(815)	–	–	–
Capital reserve	20	(7)	–	–	(7)	–	–
Other reserve	21	(829)	–	–	–	–	–
Retained earnings	22	7,631	3,407	1,631	6,804	2,674	1,489
Equity attributable to owners of the parent		19,872	16,704	13,830	20,689	16,786	14,503
Non-controlling interests		410	404	95	–	–	–
Total equity		20,282	17,108	13,925	20,689	16,786	14,503

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2019

	Note	Group			Company		
		31 May 2019	31 May 2018	1 June 2017	31 May 2019	31 May 2018	1 June 2017
		$'000	$'000	$'000	$'000	$'000	$'000
Non-current liabilities							
Deferred tax liabilities	12	72	96	–	–	–	–
Derivative financial instruments	14	619	69	36	834	69	36
Other financial liabilities	23	829	–	–	–	–	–
Provisions	24	123	84	50	21	13	13
		1,643	249	86	855	82	49
Current liabilities							
Trade and other payables	25	3,160	2,503	1,238	1,080	746	455
Bank borrowings	26	500	2,250	–	500	2,250	–
Current income tax payable		1,027	529	321	97	90	–
		4,687	5,282	1,559	1,677	3,086	455
Total liabilities		6,330	5,531	1,645	2,532	3,168	504
Total equity and liabilities		26,612	22,639	15,570	23,221	19,954	15,007

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

	Note	2019 $'000	2018 $'000
Revenue	27	18,318	16,022
Other items of income			
Other income	28	644	228
Gain arising from deemed disposal in associates		128	–
Gain on disposal of investment in an associate		366	–
Gain on re-measurement of investment to fair value upon cessation of equity accounting		2,970	–
Items of expense			
Changes in inventories		116	17
Inventories, consumables and surgery expenses		(2,112)	(1,908)
Employee benefits expenses	29	(6,475)	(5,660)
Fair value change on financial assets at FVTPL	11	(150)	–
Depreciation and amortisation expenses	30	(428)	(362)
Operating lease expenses		(1,054)	(947)
Other expenses		(2,782)	(1,857)
Finance costs	31	(56)	(38)
Share of results of associates, net of tax		(41)	572
Profit before income tax	32	9,444	6,067
Income tax expense	33	(1,018)	(553)
Profit for the financial year, representing total comprehensive income for the financial year		8,426	5,514
Profit and total comprehensive income attributable to:			
Owners of the parent		7,206	4,464
Non-controlling interests		1,220	1,050
		8,426	5,514
Earnings per share (in cents)			
- Basic and diluted	34	4.83	2.99

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

	Note	Share capital $'000	Treasury shares $'000	Merger reserve $'000	Capital reserve $'000	Other reserve $'000	Retained earnings $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 June 2018		14,433	(321)	(815)	–	–	3,407	16,704	404	17,108
Profit for the financial year		–	–	–	–	–	7,206	7,206	1,220	8,426
Total comprehensive income for the financial year		–	–	–	–	–	7,206	7,206	1,220	8,426
Contributions by and distributions to owners										
Acquisition of a subsidiary	18	–	206	–	(7)	–	–	199	–	199
Purchase of treasury shares	18	–	(426)	–	–	–	–	(426)	–	(426)
Dividends	35	–	–	–	–	–	(2,982)	(2,982)	–	(2,982)
Total transactions with owners		–	(220)	–	(7)	–	(2,982)	(3,209)	–	(3,209)
Transactions with non-controlling interests										
Acquisition of subsidiaries		–	–	–	–	–	–	–	34	34
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(1,248)	(1,248)
Total transactions with non-controlling interests		–	–	–	–	–	–	–	(1,214)	(1,214)
Others										
Present value of forward purchase contract	21	–	–	–	–	(829)	–	(829)	–	(829)
Total others		–	–	–	–	(829)	–	(829)	–	(829)
Balance at 31 May 2019		14,433	(541)	(815)	(7)	(829)	7,631	19,872	410	20,282

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

	Note	Share capital $'000	Treasury shares $'000	Merger reserve $'000	Retained earnings $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 June 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	17	1,419	–	–	–	1,419	–	1,419
Purchase of treasury shares	18	–	(321)	–	–	(321)	–	(321)
Dividends	35	–	–	–	(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 subsidiaries		–	–	–	–	–	66	66
Dividends paid to non-controlling interests		–	–	–	–	–	(807)	(807)
Total transactions with non-controlling interests		–	–	–	–	–	(741)	(741)
Balance at 31 May 2018		14,433	(321)	(815)	3,407	16,704	404	17,108

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

	2019 $'000	2018 $'000
Operating activities		
Profit before income tax	9,444	6,067
Adjustments for:		
Allowance for impairment loss on doubtful third parties trade receivables written back	–	(3)
Impairment of goodwill	415	–
Amortisation of intangible assets	13	12
Bad third parties trade receivables written off	2	18
Depreciation of plant and equipment	415	350
Dividend income from financial assets at FVTPL	(253)	–
Fair value loss on derivative financial instruments	550	–
Fair value change on financial assets at FVTPL	150	–
(Gain)/Loss arising from deemed disposal in associates	(128)	147
Gain on disposal of investment in an associate	(366)	–
Gain on disposal of plant and equipment	(26)	–
Gain on re-measurement of investment to fair value upon cessation of equity accounting	(2,970)	–
Interest income	(131)	(107)
Interest expense	56	38
Inventories written off	4	2
Plant and equipment written off	80	2
Share of results of an associate, net of tax	41	(572)
Operating cash flows before working capital changes	7,296	5,954
Working capital changes:		
Inventories	(91)	82
Trade and other receivables	(397)	(516)
Prepayments	37	(30)
Trade and other payables	467	939
Cash generated from operations	7,312	6,429
Income tax paid	(544)	(302)
Net cash from operating activities	6,768	6,127

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

	Note	2019 $'000	2018 $'000
Investing activities			
Acquisition of an associate		–	(4,237)
Acquisition of subsidiaries, net of cash acquired		(591)	(1,307)
Advance payments for acquisition of investments		(139)	(300)
Dividend income from an associate		–	98
Dividend received from financial assets at FVTPL		253	–
Interest received		131	107
Investment in an associate		(56)	–
Investment in financial assets at FVTPL		(64)	–
Investment in held-to-maturity financial assets		–	(2,000)
Investment in available-for-sale financial assets		–	(492)
Investment in a joint venture		(1)	–
Loans to a joint venture		(625)	–
Proceeds from disposal of plant and equipment		124	–
Proceeds from disposal of investment in an associate		1,000	–
Purchase of intangible assets		(4)	(3)
Purchase of plant and equipment		(295)	(257)
Net cash used in investing activities		(267)	(8,391)
Financing activities			
Advances from Directors of subsidiaries		–	69
Advances from related party		–	79
Dividends paid to owners of the parent		(2,982)	(2,688)
Dividends paid to non-controlling interests		(1,248)	(807)
Interest paid		(56)	(38)
Proceeds from bank borrowings	A	–	3,000
Purchase of treasury shares		(426)	(321)
Repayment of bank borrowings	A	(1,750)	(750)
Repayment to related party		–	(49)
Net cash used in financing activities		(6,462)	(1,505)
Net change in cash and cash equivalents		39	(3,769)
Cash and cash equivalents at beginning of financial year		4,988	8,757
Cash and cash equivalents at end of financial year	16	5,027	4,988

NOTE A: RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:

	1 June 2018 $'000	Cash flows $'000	31 May 2019 $'000
Bank borrowings	2,250	(1,750)	500

	1 June 2017 $'000	Cash flows $'000	31 May 2018 $'000
Bank borrowings	-	2,250	2,250

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

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

1. GENERAL 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").

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

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

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

The statement of financial position of the Company as at 31 May 2019 and the consolidated financial statements of the Company and its subsidiaries ("the Group") for the financial year ended 31 May 2019 were authorised for issue in accordance with a Directors' resolution dated 29 August 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are the Group and the Company's first financial statements prepared in accordance with SFRS(I)s. The Group and the Company have previously prepared their financial statements in accordance with Financial Reporting Standards in Singapore ("FRSs"). As required by SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*, the Group and the Company have consistently applied the same accounting policies in their opening statements of financial position at 1 June 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Comparative information for the financial year ended 31 May 2018 in these financial statements have not been restated as there are no material financial impact on the transition from FRSs to SFRS(I)s.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

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

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

SFRS(I) 9 *Financial instruments*

Based on the requirements of SFRS(I) 9, the Group has assessed the business model of financial assets held as at 1 June 2018 and classified them into the relevant categories under SFRS(I) 9. The following reclassifications and adjustments have been made resulting from the adoption of SFRS(I) 9 beginning from 1 June 2018:

	Financial assets			
	Available-for-sale financial assets ("AFS")	Fair value through profit or loss ("FVTPL")	Held-to-maturity financial assets ("HTM")	Debt instruments at amortised cost
	$'000	$'000	$'000	$'000
Carrying amount under FRS 39 as at 31 May 2018	1,028	–	2,000	–
Reclassify of AFS equity instruments to financial asset measured at FVTPL	(1,028)	1,028	–	–
Reclassify of HTM to debt instruments at amortised cost	–	–	(2,000)	2,000
Carrying amount under SFRS(I) 9 as at 1 June 2018	–	1,028	–	2,000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I)s and SFRS(I) Interpretations ("SFRS(I) INT") issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s and SFRS(I) INT were issued but not yet effective and have not been early adopted in these financial statements:

			Effective date (annual periods beginning on or after)
SFRS(I) 9 (Amendments)	:	Prepayment Features with Negative Compensation	1 January 2019
SFRS(I) 1-28 (Amendments)	:	Long-term Interests in Associates and Joint Ventures	1 January 2019
SFRS(I) 16	:	Leases	1 January 2019
Annual Improvements to SFRS(I)s 2015 – 2017 Cycle			
- SFRS(I) 3 (Amendments)	:	Business Combinations	1 January 2019
- SFRS(I) 11 (Amendments)	:	Joint Arrangements	1 January 2019
- SFRS(I) 1-12 (Amendments)	:	Income Tax	1 January 2019
- SFRS(I) 1-23 (Amendments)	:	Borrowing Costs	1 January 2019
SFRS(I) INT 23	:	Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 1-19 (Amendments)	:	Plan Amendment, Curtailment or Settlement	1 January 2019
SFRS(I) 1-1 and SFRS(I) 1-8 (Amendments)	:	Definition of Material	1 January 2020
SFRS(I) 3 (Amendments)	:	Definition of a Business	1 January 2020
SFRS(I) 17	:	Insurance Contracts	1 January 2021
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	:	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Various amendments	:	References to the Conceptual Framework in SFRS(I) Standards	1 January 2020

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

The Group and the Company expect that the adoption of the above SFRS(I)s and SFRS(I) INT, if applicable, will have no material impact on the financial statements in the period of initial application, except as discussed below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I)s and SFRS(I) INT issued but not yet effective (Continued)

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessees to capitalise all leases on the statement of financial position by recognising a "right-of-use" asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16. SFRS(I) 16 also requires enhanced disclosures by both lessees and lessors.

The Group and the Company completed its initial assessment of the impact on its financial statements based on currently available information as well as recognition exemptions under SFRS(I) 16. The Group and the Company expect to capitalise its office premises and clinic spaces on the consolidated statement of financial position by recognising them as "right-of-use" assets of approximately $1,951,000 and their corresponding lease liabilities for the present value of future lease payments of approximately $1,918,000. This assessment may be subject to changes from the ongoing analysis until the finalisation of transition entries.

The Group and the Company plan to adopt the standard in the financial year beginning on 1 June 2019 using the modified retrospective method in accordance with the transitional provisions, and therefore will only recognise leases on statements of financial position as at 1 June 2019. The Group and the Company will include the required additional disclosures in their financial statements for the financial year ending 31 May 2020.

2.2 Basis of consolidation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

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

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

When the Group loses control of subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

2.3 Business combinations

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with SFRS(I) 2 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held-for-sale in accordance with SFRS(I) 5 *Non-current Assets Held-for-Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

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

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

Acquisition under common control

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Plant and equipment

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

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

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

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

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

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

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets

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

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

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

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

Goodwill

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (Continued)

Computer software

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

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

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

2.6 Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from its involvement with the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

2.7 Associates

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

Associates are initially recognised in the consolidated statement of financial position at cost and subsequently accounted for using the equity method less any impairment losses. Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is included in the carrying amount of the investment in associate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Associates (Continued)

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

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

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

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

2.8 Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The Group's share of the results of the joint venture is recognised in profit or loss. Where there has been a change recognised directly in equity of the joint venture, the Group recognises its share of such changes. In the Group's consolidated financial statements, the Group's share of results and reserves of joint ventures acquired or disposed of are included in the consolidated financial statements from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

The consolidated statement of comprehensive income reflects the share of results of operations of the joint ventures. Where there has been a change recognised in other comprehensive income by the joint ventures, the Group recognises its share of such changes in other comprehensive income. Where the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains or losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint ventures.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss with respect to the Group's net investment in the joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Joint venture (Continued)

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

Upon loss of joint control, the Group measures any retained investment at its fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

2.9 Impairment of non-financial assets excluding goodwill

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups of assets. Impairment loss is recognised in profit or loss.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Inventories

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

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

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

2.11 Financial instruments

The Group and the Company recognise a financial asset or a financial liability in their statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

2.12 Financial assets

The Group and the Company classify their financial assets into one of the categories below, depending on the Group's and the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group and the Company shall reclassify their affected financial assets when and only when the Group and the Company changes their business model for managing these financial assets. Other than financial assets in a qualifying hedging relationship, the Group's and the Company's accounting policy for each category is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the combined statement of comprehensive income. On confirmation that the trade receivable will not be collectible, the gross carrying value of the asset is written off against the associated provision.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

Amortised cost (Continued)

Impairment provisions for receivables from subsidiaries, other receivables due from third parties and debt instruments are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's and the Company's financial assets measured at amortised cost comprise debt instruments, trade and other receivables and cash and cash equivalents in the statements of financial position.

Financial assets at fair value through profit or loss ("FVTPL")

The Group and the Company have a number of investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised in profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments' carrying amount.

Purchases and sales of financial assets measured at fair value through profit or loss are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through profit or loss.

Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Accounting policy for financial assets prior to 1 June 2018

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

(i) Loans and receivables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

Accounting policy for financial assets prior to 1 June 2018 (Continued)

(ii) Held-to-maturity financial assets

Bonds with fixed or determinable payments and fixed maturity dates where the Group and the Company have a positive intent and ability to hold to maturity are classified as held-to-maturity financial assets.

(iii) Available-for-sale financial assets

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

Recognition and derecognition

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

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

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

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

Initial and subsequent measurement

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

After initial recognition, loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method, less impairment loss, if any.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

Accounting policy for financial assets prior to 1 June 2018 (Continued)

Impairment

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

(i) Loans and receivables and held-to-maturity financial assets

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

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

(ii) Available-for-sale financial assets

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

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

2.13 Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Equity instruments

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

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

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.15 Financial liabilities

The Group and the Company determine the classification of their financial liabilities at initial recognition.

(i) Trade and other payables

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

(ii) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the end of the reporting period are presented as current borrowings even though the original terms were for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the end of the reporting period are presented as non-current borrowings in the statements of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial liabilities (Continued)

(iii) Other financial liabilities

Other financial liabilities comprise gross obligation of forward purchase contract, which are initially recognised at present value. Subsequent to initial recognition, the other financial liabilities are accreted through finance charges in the profit or loss over the forward contract periods up to the final redemption amount. If the Group revises its estimates of the obligation of forward purchase contract, the carrying amount of the financial liabilities shall be adjusted with any changes recognised in the profit or loss. The Group reassesses the carrying amount by estimating the present value of estimated future cash flows at the financial instrument's original effective interest rate.

Derecognition of financial liabilities

The Group and the Company derecognise their financial liabilities when, and only when, the Group's and the Company's obligations are discharged or cancelled or expired. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.16 Derivative financial instruments

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

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

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

2.17 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). The consideration promised in the contracts with customers may include fixed amounts and variable amounts, if any.

<u>Provision of medical services</u>

Revenue from the provision of medical services generally relate to performance obligations to provide consultations, clinical treatments, endoscopic procedures, surgery, diagnostic imaging, radiology services, general medical services and related products, net of discounts to customers. In the rendering of these services, there are no variable considerations noted in the contracts with customers. Performance obligations for all services are satisfied over a period of less than one day when services are rendered. Hence, revenue is recognised at a point in time upon completion of the services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Grants

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

Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

2.19 Leases

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

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

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

When the Company is the lessor of operating leases

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

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

2.20 Employee benefits

Defined contribution plans

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

*Employee leave entitlement*s

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

Employee performance share plan

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as expenses in the profit or loss in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

2.22 Income tax

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Dividends

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

2.24 Segment reporting

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

The Group is not required to report separately information about its operating segments in the financial statements as the Group only has one predominant segment.

2.25 Provisions

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

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3.1 Critical judgements made in applying the accounting policies

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

(i) Classification and fair value measurement of financial assets measured at fair value through profit or loss

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

The Group and the Company hold a 40% equity interest in HSN Healthcare Pte. Ltd. which the Group has considered that it does not have any significant influence nor joint control over this entity as the Group has no power to participate in the financial and operating policy decisions of this entity. As a result, the investment is classified as financial asset measured at fair value through profit or loss instead of investment in associate.

Fair value of the financial asset is determined based on discounted cash flow model. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. Changes in assumptions could affect the reported fair value of the financial asset significantly.

(ii) Consolidation of LAI BEC Pte. Ltd. ("LBPL"), CTK Tan Surgery Pte. Ltd. ("CTK"), Julian Ong Endoscopy & Surgery Pte. Ltd. ("JOES"), Medical L & C Services Pte. Ltd. ("MLCS"), HMC Medical Pte. Ltd. ("HMC") and Jason Lim Endoscopy and Surgery Pte. Ltd. ("JLES")

The Group has exercised significant judgement to determine LBPL, CTK, JOES, MLCS, HMC and JLES as subsidiaries of the Group and to consolidate its economic interest in the acquired subsidiaries. The Group holds 51%, 100%, 51%, 51%, 51% and 51% of the paid-up share capital of LBPL, CTK, JOES, MLCS, HMC and JLES respectively. The Group has also granted options to the vendors to re-purchase the entire share capital of CTK and HMC and up to 20% of the total issued shares in LBPL from the Group. Management has made their assessment of the acquisitions, including the granting of the option to re-purchase and determined that the Group has the ability to control and direct the relevant activities of the above mentioned entities and therefore the Group consolidates LBPL, CTK, JOES, MLCS, HMC and JLES as subsidiaries.

3.2 Key sources of estimation uncertainty

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

(i) Impairment of investments in subsidiaries

The Company follows the guidance of SFRS(I) 1-36 *Impairment of Assets*, in determining whether investments in subsidiaries are impaired. This determination requires significant judgements and assumptions. The Company evaluates, among other factors, the duration and extent to which the recoverable amount of an investment is less than its carrying amount, the financial health and near-term business outlook of the investments, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

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

3.2 Key sources of estimation uncertainty (Continued)

(i) Impairment of investments in subsidiaries (Continued)

Investment in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets and where applicable, cash-generating units ("CGU") have been determined based on value-in-use calculations. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The Company's carrying amount of investments in subsidiaries as at 31 May 2019 was $6,218,000 (31 May 2018: $5,808,000; 1 June 2017: $4,316,000) and an allowance for impairment loss of approximately $458,000 (2018: $280,000) was recognised as at 31 May 2019 as disclosed in Note 6 to the financial statements.

(ii) Goodwill

Management determines whether goodwill is impaired at least on an annual basis and whenever there is an indication that they are impaired. The process of evaluating potential impairment of goodwill requires significant judgements and assumptions. Management estimates the recoverable amount of the CGU to which the goodwill has been allocated. Recoverable amount of the CGU is determined based on value-in-use calculations. The value-in-use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Any excess of the carrying values over the discounted future cash flows are recognised as impairment loss in profit or loss. The carrying amount of the Group's goodwill as at 31 May 2019 was $5,848,000 (31 May 2018: $5,091,000; 1 June 2017: $3,388,000) and an allowance for impairment loss of $415,000 (2018: $Nil) was recognised as disclosed in Note 5 to the financial statements.

(iii) Loss allowance for trade and other receivables

Trade and other receivables

Management determines the expected loss based on the simplified approach arising from default for trade receivables, by categorising them based on its historical loss pattern, historical payment profile as well as credit risk profile of customers. Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. Specific allowance for impairment of trade receivables was made for those customers identified in financial difficulties during the financial year. For non-trade receivables, management considers the performance, financial capability as well as payment profile of these non-trade receivables in order to determine the appropriate stage of expected credit loss for these receivables. Probability or risk of default is then being estimated by considering the future conditions. The carrying amounts of trade and other receivables are disclosed in Note 13 to the financial statements.

Amounts due from subsidiaries and joint venture

Management determines whether there is significant increase in credit risk of these subsidiaries and joint venture since initial recognition. Management reviews the financial performance and results of these subsidiaries and joint venture. A loss allowance amounted to $21,000 (2018: $Nil) was recognised as at 31 May 2019. The amounts due from subsidiaries and joint venture are disclosed in Note 13 to the financial statements.

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

3.2 Key sources of estimation uncertainty (Continued)

(iv) Fair value measurement of derivative financial instruments

The derivative financial instruments arise from the granting of options to re-purchase and forward purchase contracts for the acquired subsidiaries as disclosed in Note 6 to the financial statements, measured at fair value as at the end of the reporting period.

Options to re-purchase

As at the end of the reporting period, the fair values of derivative financial instruments have been determined by management, assisted by its external valuer, and are considered as level 3 recurring fair value measurements. The significant judgements and assumptions to the valuations include expected volatility rate and risk-free interest rate. Significant assumptions were made by the management in estimating the probability of the option being exercised as at the end of the reporting period. The carrying values of the derivative financial instruments of the Group and the Company relating to the options to re-purchase as at 31 May 2019 were $619,000 (31 May 2018: $69,000; 1 June 2017: $36,000).

If the probability that the options are exercised is higher or lower by 5% from management's estimates, the Group's profit would have been lower or higher by $164,000 respectively.

Forward purchase contracts

As at the end of the reporting period, the fair values of derivative financial instruments have been determined by management, assisted by its external valuer, and are considered as level 3 recurring fair value measurements. The significant judgements and assumptions to the valuations include equity value, estimated profit after tax for future years and risk-free rate. The carrying values of the derivative financial instruments of the Company relating to the forward purchase contracts assets and liabilities as at 31 May 2019 were $542,000 and $215,000 respectively (31 May 2018: $Nil; 1 June 2017: $Nil).

4. PLANT AND EQUIPMENT

	Computer $'000	Furniture, fittings and office equipment $'000	Medical equipment $'000	Renovation $'000	Total $'000
Group					
Cost					
Balance at 1 June 2018	111	142	1,006	1,277	2,536
Arising from acquisition of subsidiary	2	1	11	16	30
Additions	23	15	230	35	303
Written off	–	–	(81)	(313)	(394)
Disposal	–	–	(120)	–	(120)
Balance at 31 May 2019	136	158	1,046	1,015	2,355
Accumulated depreciation					
Balance at 1 June 2018	56	62	461	598	1,177
Depreciation for the financial year	40	28	126	221	415
Written off	–	–	(2)	(312)	(314)
Disposal	–	–	(22)	–	(22)
Balance at 31 May 2019	96	90	563	507	1,256
Net carrying amount					
Balance at 31 May 2019	40	68	483	508	1,099
Cost					
Balance at 1 June 2017	98	143	851	1,184	2,276
Additions	23	–	155	93	271
Written off	(10)	(1)	–	–	(11)
Balance at 31 May 2018	111	142	1,006	1,277	2,536
Accumulated depreciation					
Balance at 1 June 2017	32	37	375	392	836
Depreciation for the financial year	32	26	86	206	350
Written off	(8)	(1)	–	–	(9)
Balance at 31 May 2018	56	62	461	598	1,177
Net carrying amount					
Balance at 31 May 2018	55	80	545	679	1,359
Balance at 1 June 2017	66	106	476	792	1,440

4. PLANT AND EQUIPMENT (CONTINUED)

	Computer $'000	Furniture, fittings and office equipment $'000	Renovation $'000	Total $'000
Company				
Cost				
Balance at 1 June 2018	22	17	13	52
Additions	5	2	30	37
Balance at 31 May 2019	27	19	43	89
Accumulated depreciation				
Balance at 1 June 2018	14	6	4	24
Depreciation for the financial year	8	4	6	18
Balance at 31 May 2019	22	10	10	42
Net carrying amount				
Balance at 31 May 2019	5	9	33	47
Cost				
Balance at 1 June 2017 and at 31 May 2018	22	17	13	52
Accumulated depreciation				
Balance at 1 June 2017	7	3	1	11
Depreciation for the financial year	7	3	3	13
Balance at 31 May 2018	14	6	4	24
Net carrying amount				
Balance at 31 May 2018	8	11	9	28
Balance at 1 June 2017	15	14	12	41

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

	2019 $'000	2018 $'000
Additions of plant and equipment	303	271
Less: Provision for reinstatement cost	(8)	(14)
Cash payments to acquire plant and equipment	295	257

5. INTANGIBLE ASSETS

	Goodwill $'000	Computer software $'000	Total $'000
Group			
Cost			
Balance at 1 June 2018	5,091	87	5,178
Arising from acquisition of subsidiaries	1,172	–	1,172
Additions	–	4	4
Balance at 31 May 2019	6,263	91	6,354
Accumulated amortisation and impairment			
Balance at 1 June 2018	–	63	63
Amortisation for the financial year	–	13	13
Impairment loss for the financial year	415	–	415
Balance at 31 May 2019	415	76	491
Net carrying amount			
Balance at 31 May 2019	5,848	15	5,863
Remaining useful life at end of financial year	Indefinite	1 to 3 years	
Cost			
Balance at 1 June 2017	3,388	84	3,472
Arising from acquisition of subsidiaries	1,703	–	1,703
Additions	–	3	3
Balance at 31 May 2018	5,091	87	5,178
Accumulated amortisation			
Balance at 1 June 2017	–	51	51
Amortisation for the financial year	–	12	12
Balance at 31 May 2018	–	63	63
Net carrying amount			
Balance at 31 May 2018	5,091	24	5,115
Balance at 1 June 2017	3,388	33	3,421
Remaining useful life at end of financial year	Indefinite	1 to 3 years	

5. INTANGIBLE ASSETS (CONTINUED)

	Computer software	
	2019	2018
	$'000	$'000
Company		
Cost		
Balance at beginning and end of financial year	4	4
Accumulated amortisation		
Balance at beginning of financial year	3	1
Amortisation for the financial year	1	2
Balance at end of financial year	4	3
Net carrying amount		
Balance at beginning of financial year	1	3
Balance at end of financial year	–	1
Remaining useful life at end of financial year	–	1 year

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

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:

	Group		
	31 May 2019	31 May 2018	1 June 2017
	$'000	$'000	$'000
Name of subsidiaries			
CTK Tan Surgery Pte. Ltd. ("CTK")	429	429	429
LAI BEC Pte. Ltd. ("LBPL")	815	815	815
Julian Ong Endoscopy & Surgery Pte. Ltd. ("JOES")	2,144	2,144	2,144
Medical L & C Services Pte. Ltd. ("MLCS")	1,055	1,055	–
HMC Medical Pte. Ltd. ("HMC")	648	648	–
Medical Services @ Tampines Pte. Ltd. ("MST")	344	–	–
Jason Lim Endoscopy and Surgery Pte. Ltd. ("JLES")	828	–	–
	6,263	5,091	3,388

5. INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill

As at 31 May 2019, 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 (31 May 2018: 5 years; 1 June 2017: 3 to 5 years). Management assessed 5 years cash flows and projection to terminal year for the financial forecast of the CGU is appropriate considering management's plan for its business plan in the near future. The revenue growth rates are based on management's best estimate and discount rates that reflect current market assessment of the time value of money and the risks specific to the CGUs.

Key assumptions used for value-in-use calculations:

		Revenue growth rate			Discount rate		
		31 May 2019	31 May 2018	1 June 2017	31 May 2019	31 May 2018	1 June 2017
CTK	2018	–	–	10%	9.2%	7.0%	6.7%
	2019	–	14%	8%			
	2020	10%	12%	6%			
	2021	8%	9%	–			
	2022	6%	6%	–			
	2023	5%	4%	–			
	2024	5%	–	–			
LBPL	2018	–	–	20%	9.2%	7.0%	6.7%
	2019	–	7%	20%			
	2020 to 2021	2%	7%	18%			
	2022	2%	7%	16%			
	2023	2%	7%	–			
	2024	2%	–	–			
JOES	2018	–	–	10%	9.2%	7.0%	6.7%
	2019	–	15%	8%			
	2020 to 2021	5%	12%	6%			
	2022	5%	10%	6%			
	2023	5%	10%	–			
	2024	5%	–	–			
MLCS	2019	–	10%	–	9.2%	7.0%	–
	2020	-7%	10%	–			
	2021 to 2023	7%	10%	–			
	2024	7%	–	–			
HMC	2019	–	3%	–	9.2%	7.0%	–
	2020 to 2023	2%	3%	–			
	2024	2%	–	–			
MST	2020 to 2022	10%	–	–	9.2%	–	–
	2023 to 2024	8%	–	–			
JLES	2020	16%	–	–	9.2%	–	–
	2021 to 2022	10%	–	–			
	2023 to 2024	8%	–	–			

5. INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill (Continued)

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

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

During the financial year, the Group has made an impairment loss of approximately $415,000 to its medical services under 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 $640,000 based on its current financial performance. The impairment loss was fully allocated to goodwill and included in "other expenses" line item of profit or loss.

Sensitivity analysis

As at the current reporting date, based on management's assessment of the CGUs except for the above, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the remaining CGUs.

6. INVESTMENTS IN SUBSIDIARIES

	Company		
	31 May 2019 $'000	31 May 2018 $'000	1 June 2017 $'000
Unquoted equity shares, at cost	6,956	6,088	4,316
Allowance for impairment loss	(738)	(280)	–
	6,218	5,808	4,316

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Movement in allowance for impairment loss was as follows:

	Company	
	2019	2018
	$'000	$'000
Balance at beginning of financial year	280	–
Impairment loss during the financial year	458	280
Balance at end of financial year	738	280

Impairment on investments in subsidiaries

As at the end of the reporting period, the Company carried out a review of the investment in subsidiaries, having regard for indicators of impairment on investments in subsidiaries based on the existing performance of subsidiaries. Following the review, an impairment loss of approximately $458,000 (31 May 2018: $280,000) was recognised in respect of two subsidiaries for the financial year ended 31 May 2019, including impairment loss of approximately $58,000 (31 May 2018: $280,000) made for a subsidiary that ceased business operation and was struck off subsequent to the financial year.

The recoverable amount of the other impaired subsidiary which is approximately $640,000 is determined from value-in-use calculations using management-approved discounted cash flow projections covering a period of 5 years and projection to terminal year. The key assumptions for this value-in-use calculations are those regarding the discount rates and growth rates disclosed in Note 5 to the financial statements.

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries held by the Company are as follows:

Name of company	Principal place of business	Principal activities	Proportion of ownership interest held by the Company			Proportion of ownership interest held by the non-controlling interests		
			31 May 2019 %	31 May 2018 %	1 June 2017 %	31 May 2019 %	31 May 2018 %	1 June 2017 %
Heah Sieu Min (Mt E) Pte. Ltd.[(1)]	Singapore	Colorectal endoscopy and piles centre	100	100	100	–	–	–
Heah Sieu Min (Bukit Batok) Pte. Ltd.[(1)]	Singapore	Colorectal endoscopy practices/provide outpatient consultation services and procedures	100	100	100	–	–	–
Heah Sieu Min (Paragon) Pte. Ltd.[(2)]	Singapore	Dormant	–	100	100	–	–	–
CKH (Mt. E) Pte. Ltd.[(3)]	Singapore	Dormant	–	100	100	–	–	–
CKH (Farrer Park) Pte. Ltd.[(1)]	Singapore	General, vein laser vascular and laparoscopy surgery and other health services	100	100	100	–	–	–
CKH (Mt A) Pte. Ltd.[(1)]	Singapore	Vein and vascular surgery practices/ general surgery	100	100	100	–	–	–

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Principal place of business	Principal activities	Proportion of ownership interest held by the Company			Proportion of ownership interest held by the non-controlling interests		
			31 May 2019 %	31 May 2018 %	1 June 2017 %	31 May 2019 %	31 May 2018 %	1 June 2017 %
SHL Group Pte. Ltd.[(2)]	Singapore	Clinics and other general medical services	–	66.67	66.67	–	33.33	33.33
Hougang Clinic Pte. Ltd.[(1)]	Singapore	Specialised medical services (including day surgical centres)/ other health services	100	100	100	–	–	–
Malcolm Lim Pte. Ltd.[(1)]	Singapore	Clinics and other general medical services	51	51	51	49	49	49
LAI BEC Pte. Ltd.[(1)]	Singapore	Clinics and other general medical services	51	51	51	49	49	49
CTK Tan Surgery Pte. Ltd.[(1)]	Singapore	Specialised medical services (including day surgical centres)/ clinics and other general medical services	100	100	100	–	–	–

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Principal place of business	Principal activities	Proportion of ownership interest held by the Company			Proportion of ownership interest held by the non-controlling interests		
			31 May 2019 %	31 May 2018 %	1 June 2017 %	31 May 2019 %	31 May 2018 %	1 June 2017 %
Heah Sieu Min (DLeedon) Pte. Ltd.[(1)]	Singapore	Specialised medical services (including day surgical centres)/ clinics and other general medical services	100	100	100	–	–	–
HC (Hillford) Pte. Ltd.[(1)]	Singapore	Specialised medical services (including day surgical centres)/ clinics and other general medical services	100	100	100	–	–	–
HC (GM) Pte. Ltd.[(1)]	Singapore	Specialised medical services (including day surgical centres)/ clinics and other general medical services	100	100	100	–	–	–
Julian Ong Endoscopy & Surgery Pte. Ltd.[(1)]	Singapore	Clinics and other general medical services	51	51	51	49	49	49
Medical L & C Services Pte. Ltd.[(1)]	Singapore	Clinics and other general medical services	51	51	–	49	49	–

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Principal place of business	Principal activities	Proportion of ownership interest held by the Company			Proportion of ownership interest held by the non-controlling interests		
			31 May 2019 %	31 May 2018 %	1 June 2017 %	31 May 2019 %	31 May 2018 %	1 June 2017 %
HMC Medical Pte. Ltd.[(1)]	Singapore	Clinics and other general medical services	51	51	–	49	49	–
HC and Island Family Pte. Ltd.[(1)]	Singapore	Clinics and other general medical services	80	80	–	20	20	–
Medical Services @ Tampines Pte. Ltd.[(1)]	Singapore	Clinics and other general medical services/ medical shared services	83.33	–	–	16.67	–	–
Jason Lim Endoscopy and Surgery Pte. Ltd.[(1)]	Singapore	Specialised medical services (including day surgical centres)/ clinics and other general medical services	51	–	–	49	–	–

(1) Audited by BDO LLP, Singapore
(2) Struck off during the financial year
(3) Not required to be audited and not considered a significant subsidiary under Rule 718 of the SGX-ST Listing Manual, struck off on 8 July 2019

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Incorporation of subsidiaries

On 12 February 2018, the Company and a third party incorporated a subsidiary, HC and Island Family Pte. Ltd. ("HCIF"), a company incorporated in Singapore and the Company subscribed for 80 shares at $1 each, which represented an equity interest of 80%.

Acquisition of subsidiaries

On 18 July 2016, the Company entered into a sale and purchase agreement, pursuant to which the Company acquired 51% of the issued and fully paid-up share capital in LBPL. The Company has granted to the vendor 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 of the guarantor with the Group.

On 4 August 2016, the Company entered into a sale and purchase agreement to acquire the entire issued and fully paid-up share capital of CTK. The vendor has an option to re-purchase entire issued share capital of CTK at any time for a nominal value of $1, provided always that the vendor shall not be entitled to exercise the option for so long as he has not given notice to terminate his employment in accordance with his employment contract with the Group.

On 1 June 2017, the Company entered into a sale and purchase agreement, pursuant to which the Company acquired 51% of the issued and fully paid-up share capital in MLCS. The consideration for the acquisition amounted to $1,066,000, of which an amount of $275,000 was paid by way of issuance of the Company's shares with fair value of $0.615 each and the remaining $791,000 settled in cash. The vendor further agrees to sell to the Company all the remaining 49% of the issued and fully paid-up share capital of MLCS by 1 August 2021 for the consideration of 49% of nine times the average of the audited profit after tax for the first four years from 1 June 2017 to 31 May 2021.

On 2 January 2018, the Company entered into a sale and purchase agreement, pursuant to which the Company acquired 51% of the issued and fully paid-up share capital in HMC. The consideration for the acquisition amounted to $673,000 was paid in cash. The Company has granted to the vendors an option to re-purchase 51% of issued share capital of HMC for a nominal value of $2, provided always that the vendors shall not be entitled to exercise the option prior to the end of 42 months from the date of commencement of the employment of the vendors with the Group.

On 7 May 2018, the Company entered into a sale and purchase agreement, pursuant to which the Company acquired 51% of the issued and fully paid-up share capital in JLES. The acquisition was completed in June 2018. The consideration for the acquisition amounted to $828,000, of which an amount of $199,000 was paid by way of issuance of the Company's shares with fair value of $0.665 each and the remaining $629,000 settled in cash. The vendor further agrees to sell to the Company all the remaining 49% of the issued and fully paid-up share capital of JLES by 1 September 2022 for the consideration of 49% of ten times the audited profit after tax for financial year ending 31 May 2022.

On 20 September 2018, the Company entered into sale and purchase agreements to acquire additional 50% equity interest in MST, former associate, with an aggregate cash consideration of $135,000. Upon acquisition, MST became an 83.33% owned subsidiary of the Company.

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

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

In connection with the acquisition on 1 June 2017 and 7 May 2018, the fair value of the shares issued were derived from the actual share price of the Company on issuance date.

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

	JLES $'000	MST $'000	Total $'000
2019			
Plant and equipment	–	30	30
Inventories	–	4	4
Trade and other receivables	–	45	45
Prepayments	–	12	12
Cash and cash equivalents	–	23	23
Total assets	–	114	114
Trade and other payables	–	190	190
Provision	–	31	31
Total liabilities	–	221	221
Net identifiable liabilities assumed	–	(107)	(107)
Non-controlling interest measured at fair value	–	(34)	(34)
Fair value of previously-held 33.33% equity interest at acquisition date	–	(68)	(68)
Consideration transferred:			
- purchase consideration	(828)	(135)	(963)
Goodwill arising from acquisition	(828)	(344)	(1,172)

From the date of acquisition, JLES and MST have contributed $1,132,000 and $544,000 to the Group's revenue and profit for the financial year respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue for the financial year would have been $18,651,000 and profit would have been $8,456,000.

The fair value of the previously-held 33.33% equity interest at acquisition date was calculated on a pro-rata basis of the purchase consideration after applying the discount for lack of control. The gain of $68,000 recognised as a result of remeasuring the previously-held equity interest in MST and included in "gain arising from deemed disposal in associates" line item in the Group's profit or loss for the financial year ended 31 May 2019.

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

	MLCS $'000	HMC $'000	Total $'000
2018			
Inventories	–	179	179
Trade and other receivables	49	50	99
Cash and cash equivalents	129	28	157
Total assets	178	257	435
Trade and other payables	140	87	227
Provision	–	20	20
Current income tax payable	16	14	30
Deferred tax liabilities	–	23	23
Total liabilities	156	144	300
Net identifiable assets at fair value	22	113	135
Non-controlling interest measured at the non-controlling interests' proportionate share of net identifiable liabilities	(11)	(55)	(66)
Consideration transferred:			
- purchase consideration	(1,066)	(673)	(1,739)
- option to re-purchase	–	(33)	(33)
Goodwill arising from acquisition	(1,055)	(648)	(1,703)

From the date of acquisition, MLCS and HMC have contributed $1,143,000 and $399,000 to the Group's revenue and profit for the financial year respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue would have been $16,611,000 and profit for the financial year would have been $5,616,000.

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

	2019 $'000	2018 $'000
Total purchase consideration	963	1,739
Less: Non-cash consideration	(199)	(275)
Less: Cash and cash equivalents of subsidiaries acquired	(23)	(157)
Less: Advance payments paid in previous financial year	(150)	–
Net cash outflow on acquisition	591	1,307

Trade and other receivables acquired comprise gross trade and other receivables amounting to $45,000 (2018: $99,000) which approximates fair value. It is expected that full contractual amount of receivables can be collected.

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

Goodwill of $1,172,000 (2018: $1,703,000) arising from the acquisitions is attributable to expected synergies that can be achieved in combining the operations of these subsidiaries with the Group such as expanding the Group's presence in Singapore and tapping on the subsidiaries' workforce expertise. These intangibles identified are subsumed into goodwill as they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill is expected to be deductible for tax purposes.

Transaction costs related to the acquisition of subsidiaries amounting to $10,000 (2018: $33,000) have been recognised in the "other expenses" line item in the Group's profit or loss for the financial year ended 31 May 2019.

Non-controlling interests

The non-controlling interests of MLPL, MLCS, HMC, HCIF, MST and JLES that are not 100% owned by the Group are considered to be insignificant to the Group.

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

	LBPL			JOES			Total		
	31 May 2019	31 May 2018	1 June 2017	31 May 2019	31 May 2018	1 June 2017	31 May 2019	31 May 2018	1 June 2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets and liabilities									
Current assets	386	265	366	664	712	460	1,050	977	826
Non-current assets	13	15	16	60	85	99	73	100	115
Current liabilities	(145)	(103)	(368)	(448)	(342)	(424)	(593)	(445)	(792)
Non-current liabilities	–	–	–	(14)	(14)	–	(14)	(14)	–
Net assets	254	177	14	262	441	135	516	618	149
Accumulated NCI	124	87	7	128	216	66	252	303	73

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Non-controlling interests (Continued)

	LBPL		JOES		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revenue	1,205	1,171	2,760	2,666	3,965	3,837
Profit for the financial year, representing total comprehensive income for the financial year	387	462	1,580	1,556	1,967	2,018
Profit allocated to NCI	189	226	774	762	963	988
Dividends paid to NCI	152	147	862	613	1,014	760
Cash flows from operating activities	391	141	1,730	1,205	2,121	1,346
Cash flows (used in)/from investing activities	(3)	2	(1)	–	(4)	2
Cash flows used in financing activities	(310)	(300)	(1,760)	(1,250)	(2,070)	(1,550)
Net cash inflows/ (outflows)	78	(157)	(31)	(45)	47	(202)

7. INVESTMENTS IN ASSOCIATES

	Group			Company		
	31 May 2019 $'000	31 May 2018 $'000	1 June 2017 $'000	31 May 2019 $'000	31 May 2018 $'000	1 June 2017 $'000
Unquoted equity investments, at cost	4,959	5,540	159	4,959	5,540	159
Deemed disposal in associates due to dilution	(87)	(147)	–	–	–	–
Share of post-acquisition results of associates, net of dividends	274	315	(159)	–	–	–
Allowance for impairment loss	–	–	–	(91)	(159)	(159)
Deemed disposal of associates	(5,146)	–	–	(4,868)	–	–
	–	5,708	–	–	5,381	–

7. INVESTMENTS IN ASSOCIATES (CONTINUED)

Movements in allowance for impairment loss was as follows:

	Company	
	2019	2018
	$'000	$'000
Balance at beginning of financial year	159	159
Reversal of impairment loss during the financial year	(68)	–
Balance at end of financial year	91	159

During the financial year, a reversal of an allowance for impairment loss of $68,000 was recognised relating to the investment in MST. The recoverable amount of the investment amounted to approximately $68,000 has been determined on the basis of its fair value as referred to Note 6 to the financial statements.

The details of associates are as follows:

Name of company	Principle place of business	Principal activities	Effective equity interest		
			31 May 2019 %	31 May 2018 %	1 June 2017 %
Held by the Company					
Medical Services @ Tampines Pte. Ltd.[1]	Singapore	Clinics and other general medical services/medical shared services	–	33.33	33.33
Medinex Limited (formerly known as MediNex Pte. Ltd.)[1]	Singapore	Business support services	–	35.77	–
Held by the Medinex Limited (formerly known as MediNex Pte. Ltd.)					
MediNex Healthcare Services Pte. Ltd. (formerly known as JK Bizline Pte. Ltd.)[1]	Singapore	Business support services	–	35.77	–
MediNex Corporate Services Pte. Ltd. (formerly known as Ark Corporate Solutions Pte. Ltd.)[1]	Singapore	Medical support services	–	35.77	–
Nex Healthcare Pte. Ltd.[1]	Singapore	Medical support services and pharmaceutical services	–	35.77	–
Acctax Management Consultancy Pte. Ltd.[1]	Singapore	Business and management consultancy services	–	17.89	–

[1] Audited by BDO LLP, Singapore

7. INVESTMENTS IN ASSOCIATES (CONTINUED)

Medical Services @ Tampines Pte. Ltd.'s ("MST") primary business is in alignment with the Group, providing medical shared services and general medical services.

Medinex Pte. Ltd. ("MDN") and its subsidiaries is a management service provider for medical clinic industry, which is in alignment with the Group's plan for growth to have additional revenue stream from the medical related business.

Acquisition of equity interest in associates

On 1 June 2017, the Group and the Company acquired 49% equity interest of MDN, a company incorporated in Singapore, with consideration of $4,381,000 of which an amount of $1,144,000 was paid by way of issuance of the Company's shares at fair value of $0.615 each and the remaining $3,237,000 settled in cash. The fair value of the shares issued was derived from the actual share price of the Company on issuance date.

On 9 November 2017, MDN issued additional 4,650 shares to new shareholders. As a result, the Company's equity interest in MDN was diluted to 33.45% and there is a loss arising from deemed disposal of $147,000 recognised in profit or loss.

On 30 November 2017, the Company further acquired additional 2.32% equity interest of MDN, with cash consideration of $1,000,000. Accordingly, the effective interest held by the Company increased from 33.45% to 35.77%.

Goodwill which amounted to approximately $4,437,000 is measured as the excess of aggregate consideration transferred over the fair value of identifiable net assets acquired, and the amount forms part of carrying amount of investments in associates.

Derecognition of investment in associates

Medinex Limited ("MDN")

On 9 November 2018, MDN issued additional 1,566 new ordinary shares as a partial payment pursuant to acquisition of new subsidiaries. As a result, the Company's equity interest in MDN was diluted to 32.76% and there is a loss arising from deemed disposal of approximately $407,000, included in "gain arising from deemed disposal in associates" line item in the Group's profit or loss for the financial year ended 31 May 2019.

On 6 December 2018, the Company disposed 4,000,000 shares in MDN at market price of $0.25 per share for cash consideration of $1,000,000 resulting in a gain of disposal of approximately $366,000 recognised in profit or loss. Accordingly, the effective interest held by the Company decreased from 32.76% to 28.91%.

On 6 December 2018, MDN further issued additional 1,200,000 and 26,000,000 new ordinary shares as payment of professional fees and pursuant to an initial public offering respectively. As a result, the Company's equity interest in MDN was diluted to 22.92% and there is a gain arising from deemed disposal of approximately $467,000, included in "gain arising from deemed disposal in associates" line item in the Group's profit or loss for the financial year ended 31 May 2019.

7. INVESTMENTS IN ASSOCIATES (CONTINUED)

Derecognition of investment in associates (Continued)

Medinex Limited ("MDN") (Continued)

The management has assessed that the Company no longer has significant influence over MDN as the Company has no power to participate in the financial and operating policy decisions in MDN. Consequently, the Group discontinued the use of the equity method for the investment in MDN from 31 December 2018. On the same date, the carrying amounts of the investment in MDN were derecognised and the retained interests in this investments were recognised as financial assets measured at FVTPL. A gain arising from re-measurement of investment to fair value of $2,970,000 upon ceasing equity accounting has been recognised as an income in the Group's profit or loss for the financial year ended 31 May 2019.

Medical Services @ Tampines Pte. Ltd. ("MST")

On 20 September 2018, the Company acquired additional 50% equity interest in MST. Following the completion of the acquisition, MST became an 83.33% subsidiary of the Company (Note 6). The management has determined the acquisition cut-off date as 30 September 2018 due to no material transactions between the two dates. The investment in MST is accounted for using the equity method in these consolidated financial statements up to 30 September 2018.

The financial year end of MST is 31 May. However, the financial year end of MDN are made up to 31 December. For the purposes of applying the equity method of accounting, a realignment of financial statements from 1 June 2018 to 31 December 2018 (2018: 1 June 2017 to 31 May 2018) was prepared by the management of MDN.

Summarised financial information of associates

The summarised financial information below reflects the amounts presented in the financial statements of associates (and not the Group's share of those amounts), is as follows:

	MST		MDN	
	31 May 2018	1 June 2017	31 May 2018	1 June 2017
	$'000	$'000	$'000	$'000
Assets and liabilities				
Current assets	70	314	5,213	–
Non-current assets	110	126	2,876	–
Current liabilities	(258)	(480)	(917)	–
Net (liabilities)/assets	(78)	(40)	7,172	–

	MST	MDN
	31 May 2018	31 May 2018
	$'000	$'000
Income and expenses		
Revenue	1,066	5,914
Total comprehensive income	(21)	1,472

7. INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information of associates (Continued)

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

Reconciliation of summarised financial information presented, to the carrying amount of the Group's interest in associates, is as follows:

	Group
	31 May 2018
	$'000
Net assets of MDN	7,172
Less: Adjustment to net assets of MDN[a]	(3,617)
Adjusted net assets of MDN	3,555
Proportion of Group's ownership	35.77%
Group's share of interest in associate	1,272
Add: Goodwill	4,436
Carrying value	5,708

[a] Subsequent to the acquisition of MDN on 1 June 2017, MDN has increased its issued and fully paid-up share capital by way of allotment and issuance of new ordinary shares to new shareholders. Therefore, net assets of MDN was adjusted to exclude the aforesaid transaction.

The Group had not recognised its share of losses of MST amounting to $10,000 (31 May 2018: $12,000; 1 June 2017: $2,000) for the financial year ended 31 May 2019 because the Group's share of losses exceeds its interest in the associate and the Group had no obligation in respect of those losses. The cumulative unrecognised losses with respect to this associate amounted to $35,000 (31 May 2018: $25,000; 1 June 2017: $13,000) before the derecognition on 30 September 2018.

8. INVESTMENT IN JOINT VENTURES

	Group and Company		
	31 May 2019	31 May 2018	1 June 2017
	$'000	$'000	$'000
Unquoted equity investment, at cost	1	–	–
Deemed investment arising from discount on non-current receivables from a joint venture (Note 13)	89	–	–
	90	–	–

8. INVESTMENT IN JOINT VENTURES (CONTINUED)

The details of the joint ventures are as follows:

Name of company	Principal place of business	Principal activities	Effective equity interest held by the Group		
			31 May 2019	31 May 2018	1 June 2017
			%	%	%
Held by the Company					
Zenmedic Capital Pte. Ltd.	Singapore	Investment holding company	27.8	–	–
Held by HMC Medical Pte. Ltd.					
Horizon Paincare Pte. Ltd.	Singapore	Specialised medical services (paincare management)	40	–	–

Acquisition of equity interests in joint ventures

On 13 November 2018, the Group set up a joint venture company, Horizon Paincare Pte. Ltd. The Group acquired 40 ordinary share at a cash consideration of $40, which represents 40% of shareholdings.

On 2 May 2019, the Group acquired 625 ordinary shares in Zenmedic Capital Pte. Ltd. ("ZCPL") at a cash consideration of $625, which represents 27.8% of shareholdings.

Aggregate information of joint ventures that are not individually material

The following table summarises, in aggregate, the Group's share of profit and other comprehensive income of the Group's individually immaterial joint venture accounted for using the equity method for the year ended 31 May 2019:

	Group
	31 May 2019
	$'000
The Group's share of loss before tax	(4)
The Group's share of loss after tax	(4)
The Group's share of total comprehensive income	(4)

9. DEBT INSTRUMENTS AT AMORTISED COST/HELD-TO-MATURITY FINANCIAL ASSETS

	Group and Company		
	31 May 2019	31 May 2018	1 June 2017
	$'000	$'000	$'000
Quoted debt securities at amortised cost:			
- Singapore Exchange Securities Trading Limited in Singapore	2,000	2,000	–

In the prior financial year, these quoted debt securities were classified as held-to-maturity financial assets under FRS 39. Upon adoption of SFRS(I) 9, these are classified as debt instruments at amortised cost as the Group intends to hold these debt instruments to collect contractual cash flows which are solely payments of principal and interest.

The effective interest rate of the quoted debt securities is 5.75% (31 May 2018: 5.75%; 1 June 2017: Nil%) per annum.

As at 31 May 2019, the quoted debt securities have nominal values amounting to $2,000,000 (31 May 2018: $2,000,000; 1 June 2017: $Nil) with coupon rate of 5.75% (31 May 2018: 5.75%; 1 June 2017: Nil%) per annum and maturity date on 15 September 2021.

The fair value of quoted debt instruments is $1,980,000 (2018: $2,031,000) which were based on the closing quoted market price on the last market trading day of the financial year.

There were no disposals or allowances for impairment for these quoted debt securities.

The currency profile of quoted debt instruments as at the end of the reporting period is Singapore dollar.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company		
	31 May 2019	31 May 2018	1 June 2017
	$'000	$'000	$'000
Unquoted equity investments	–	1,028	536

Movements in available-for-sale financial assets were as follows:

	Group and Company	
	2019	2018
	$'000	$'000
Balance at beginning of financial year	1,028	536
Adoption of SFRS(I) 9 at 1 June 2018 (Note 11)	(1,028)	–
Additions	–	492
Balance at end of financial year	–	1,028

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

The available-for-sale financial assets ("AFS") is an unquoted equity investment in HSN Healthcare Pte. Ltd. ("HSN"), which represents 40% (1 June 2017: 40%) equity interest in HSN. The shareholding interest exceeds 20% of the total shareholding in the investee company but the Group considers that it does not have any significant influence over the entity as the Group has no power to participate in the financial and operating policy decisions of the entity. This investment is intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. Upon adoption of SFRS(I) 9, the Group classified this AFS as financial assets at FVTPL (Note 11).

In the prior financial year, the Group made an additional advance of $492,000 (1 June 2017: $436,000) to HSN, which will be converted into the share capital of HSN. In the prior financial year, the Group has a capital commitment of $972,000 (1 June 2017: $1,900,000) in relation to unpaid capital contribution in HSN.

Fair value of available-for-sale financial assets

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

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

Financial instrument	Valuation techniques used	Significant unobservable inputs	Average rate %	Relationship between key unobservable inputs and fair value
2018				
Available-for-sale financial assets:				
Unquoted equity investment including capital contribution	Discounted cash flow	Revenue growth rate	28.0	A slight increase in the revenue growth rate used in isolation would result in an increase in the fair value.
		Discount rate	11.56	A slight increase in the discount rate used in isolation would result in a decrease in the fair value.
		Terminal growth rate	2.0	A slight increase in the terminal growth rate used in isolation would result in an increase in the fair value.

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

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	Group and Company
	31 May 2019
	$'000
Balance at beginning of financial year	–
Reclassification from available-for-sale financial assets (Note 10)	1,028
Additions during the financial year	8,269
Capital contribution during the financial year	64
Fair value change recognised in profit or loss	(150)
Balance at end of financial year	9,211
Quoted equity securities:	
- Singapore Exchange Securities Trading Limited in Singapore	8,119
Unquoted equity securities, including capital contribution	1,092
	9,211

On 1 June 2018, the Group has not made an irrevocable election for investments in equity securities to present subsequent changes in fair value to other comprehensive income. Therefore, such equity securities are measured at FVTPL. Dividend income recognised for these investments are included in "Other income" in the Group's profit or loss for the financial year ended 31 May 2019.

No investment in equity instruments measured at FVTPL has been disposed during the current reporting period.

During the financial year, the Group has made an additional capital contribution of $64,000 to HSN, which will be converted into the share capital of HSN. As at 31 May 2019, the Group has a capital commitment of $908,000 (2018: $972,000) in relation to unpaid capital contribution in HSN.

Fair value measurement

The investments in quoted equity securities have no fixed maturity date nor coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

The fair value of the Group's investment in unquoted equity securities including capital contribution were valued by an independent valuation firm and the valuation techniques used to derive the fair value is income approach.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL") (CONTINUED)

Fair value measurement (Continued)

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

Financial instrument	Valuation techniques used	Significant unobservable inputs	Average rate	Relationship between key unobservable inputs and fair value
			%	
2019				
Financial assets at fair value through profit or loss:				
Unquoted equity investment including capital contribution	Income approach based on discounted cash flow	Revenue growth rate	21.7	A slight increase in the revenue growth rate used in isolation would result in an increase in the fair value.
		Discount rate	18.5	A slight increase in the discount rate used in isolation would result in a decrease in the fair value.
		Terminal growth rate	2.0	A slight increase in the terminal growth rate used in isolation would result in an increase in the fair value.

The currency profile of financial assets at FVTPL as at the end of the reporting period is Singapore dollar.

12. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		
	31 May 2019	31 May 2018	1 June 2017
	$'000	$'000	$'000
Deferred tax assets	2	2	2
Deferred tax liabilities	(72)	(96)	–

Movement in deferred tax assets was as follows:

	Group	
	2019	2018
	$'000	$'000
Balance at beginning and end of financial year	2	2

Movements in deferred tax liabilities were as follows:

	Group	
	2019	2018
	$'000	$'000
Balance at beginning of financial year	(96)	–
Arising from acquisition of subsidiaries	–	(23)
Credited/(Charged) to profit or loss	24	(73)
Balance at end of financial year	(72)	(96)

Deferred tax assets/(liabilities) are attributable to temporary differences arising from accelerated tax depreciation computed at Singapore's income tax rate of 17% (31 May 2018: 17%; 1 June 2017: 17%) which are available for offset against future taxable profits subject to agreement by the tax authority and provision of the tax legislations.

13. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31 May 2019 $'000	31 May 2018 $'000	1 June 2017 $'000	31 May 2019 $'000	31 May 2018 $'000	1 June 2017 $'000
Non-current assets						
Advance payments	139	300	–	139	300	–
Other receivables						
- joint venture	536	–	–	536	–	–
	675	300	–	675	300	–
Current assets						
Trade receivables						
- third parties	1,815	1,462	905	–	–	–
- subsidiaries	–	–	–	30	80	705
- associate	–	57	37	–	2	1
- related party	39	–	15	–	–	–
Less:						
Loss allowance on trade receivables	–	(55)	(61)	–	–	–
- third parties	1,854	1,464	896	30	82	706
Other receivables						
- third parties	137	106	55	64	26	54
- subsidiaries	–	–	–	2,181	2,825	2,923
- associate	–	–	4	-	–	–
- joint venture	8	–	–	8	–	–
Less:						
Loss allowance on other receivables - subsidiaries	–	–	–	(21)	–	–
	145	106	59	2,232	2,851	2,977
Deposits	149	138	153	47	41	46
	2,148	1,708	1,108	2,309	2,974	3,729
Total trade and other receivables	2,823	2,008	1,108	2,984	3,274	3,729

Trade receivables are unsecured, non-interest bearing and generally ranging from 1 to 180 (31 May 2018: 1 to 180; 1 June 2017: 1 to 180) days' credit terms.

The other receivables amounts due from subsidiaries, an associate and a joint venture are unsecured, non-interest bearing and repayable on demand, except for the non-current portion which is expected to be settled within 3 years.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

The management estimates the fair value of this non-current other receivables due from a joint venture with reference to the stipulated repayment period using a discount rate based on the prevailing available market borrowing rates at 5.25% at the end of the reporting period.

The fair value of the amount due from the joint venture is within Level 3 of the fair value hierarchy. The difference between the non-current receivables and the fair values was recorded as a deemed investment (Note 8). Subsequent to the initial recognition, the amount due from this joint venture is measured at amortised cost using the effective interest method and the unwinding of the difference is recognised as interest income in profit or loss over the expected repayment period. The significant unobservable input used in determining fair value of amount due from the joint venture is discount rate. A slight increase in the discount rate used in isolation would result in a decrease in fair value.

The advance payments classified as non-current assets relate to certain investments.

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

	Group	
	2019	2018
	$'000	$'000
Balance at beginning of financial year	55	61
Loss allowance written back during the year	–	(3)
Bad receivables written off	(55)	(3)
Balance at end of financial year	–	55

Movement in the loss allowance for amounts due from subsidiaries was as follows:

	Company	
	2019	2018
	$'000	$'000
Balance at beginning of financial year	–	–
Loss allowance recognised during the year	21	–
Balance at end of financial year	21	–

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

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			Company		
	31 May 2019 $'000	31 May 2018 $'000	1 June 2017 $'000	31 May 2019 $'000	31 May 2018 $'000	1 June 2017 $'000
Non-current asset						
Forward purchase contract	–	–	–	542	–	–
Non-current liabilities						
Options to re-purchase	(619)	(69)	(36)	(619)	(69)	(36)
Forward purchase contract	–	–	–	(215)	–	–
	(619)	(69)	(36)	(834)	(69)	(36)
	(619)	(69)	(36)	(292)	(69)	(36)

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at beginning of financial year	69	36	69	36
Recognition of derivative financial instruments at initial recognition	–	33	(327)	33
Fair value loss on re-measurement as at reporting period included in profit or loss	550	–	550	–
Balance at end of financial year	619	69	292	69

Forward purchase contracts

The derivative financial instruments relate to the forward purchase contracts in connection with the Company's further acquisition of the remaining 49% of the issued and fully paid-up share capital of MLCS and JLES by 1 August 2021 and 1 September 2022 respectively as disclosed in Note 6 to the financial statements.

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 are considered as level 3 recurring fair value measurements. The significant judgements and assumptions to the valuations include equity value, estimated profit after tax for future years and risk free rate.

Options to re-purchase

The fair values of the options to re-purchase represent options granted to three (31 May 2018: three; 1 June 2017: two) vendors for the acquired subsidiaries as disclosed in Note 6 to the financial statements as at the respective date of acquisitions and subsequently re-measured as at the end of the reporting period.

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

15. INVENTORIES

	Group		
	31 May 2019	31 May 2018	1 June 2017
	$'000	$'000	$'000
Medical and surgical supplies	311	220	125

16. CASH AND BANK BALANCES

	Group			Company		
	31 May 2019	31 May 2018	1 June 2017	31 May 2019	31 May 2018	1 June 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Fixed deposits	680	–	5,000	680	–	5,000
Cash and bank balances	4,347	4,988	3,757	1,381	2,366	1,308
	5,027	4,988	8,757	2,061	2,366	6,308

For the financial year ended 31 May 2019, fixed deposits were placed for a period of 12 months (31 May 2018: Nil; 1 June 2017: 6 to 12 months) and bear effective interest rate of 1.8% (31 May 2018: Nil; 1 June 2017: 1.15% to 1.75%) per annum.

For the purpose of presenting consolidated statement of cash flows, cash and cash equivalents include short-term deposits with maturity of more than 3 months, as there is no significant cost or penalty in converting these deposits into liquid cash before maturity.

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

17. SHARE CAPITAL

	Group and Company					
	31 May 2019	31 May 2018	1 June 2017	31 May 2019	31 May 2018	1 June 2017
	Number of ordinary shares ('000)			$'000	$'000	$'000
Issued and fully-paid	149,636	149,636	147,328	14,433	14,433	13,014

17. SHARE CAPITAL (CONTINUED)

	Group and Company			
	2019	2018	2019	2018
	Number of ordinary shares ('000)		$'000	$'000
Issued and fully-paid:				
Balance at beginning of financial year	149,636	147,328	14,433	13,014
Issuance of ordinary shares pursuant to the acquisition of subsidiaries[i]	–	448	–	275
Issuance of ordinary shares pursuant to the acquisition of an associate[ii]	–	1,860	–	1,144
Balance at end of financial year	149,636	149,636	14,433	14,433

[i] On 29 June 2017, the Company increased its issued and fully paid-up share capital by way of allotment and issuance of 448,000 new ordinary shares at an issue price of $0.615 per ordinary share for consideration of $275,000 as a partial payment pursuant to an acquisition of a subsidiary.

[ii] On 29 June 2017, the Company increased its issued and fully paid-up share capital by way of allotment and issuance of 1,860,000 new ordinary shares at an issue price of $0.615 per ordinary share for consideration of $1,144,000 as a partial payment pursuant to an acquisition of an associate.

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

18. TREASURY SHARES

	Group and Company			
	2019	2018	2019	2018
	Number of ordinary shares ('000)		$'000	$'000
Balance at beginning of financial year	460	–	321	–
Repurchase of shares during the financial year	670	460	426	321
Issuance of shares pursuant to the acquisition of a subsidiary	(300)	–	(206)	–
Balance at end of financial year	830	460	541	321

During the financial year, the Company acquired 670,000 (2018: 460,000) of its ordinary shares through purchases in the open market. The total amount paid to repurchase the shares was $426,000 (2018: $321,000) and has been presented as a component within shareholders' equity.

On 17 August 2018, 300,000 treasury shares were issued pursuant to the acquisition of equity interest in JLES. The fair value of the shares consideration was determined at $199,000 which were derived from actual share price of the Company on issuance date with the realised loss on reissued being recognised as capital reserve (Note 20).

19. MERGER RESERVE

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

20. CAPITAL RESERVE

Capital reserve relates to the realised gain or loss on subsequent re-issuance of treasury shares pursuant to the acquisition of a subsidiary.

21. OTHER RESERVE

Other reserve represents the forward purchase contract over non-controlling interest of a subsidiary.

22. RETAINED EARNINGS

	Company		
	31 May 2019	31 May 2018	1 June 2017
	$'000	$'000	$'000
Retained earnings	6,804	2,674	1,489

Movements in retained earnings of the Company were as follows:

	Company	
	2019	2018
	$'000	$'000
Balance at beginning of financial year	2,674	1,489
Total comprehensive income for the financial year	7,112	3,873
Dividends (Note 35)	(2,982)	(2,688)
Balance at end of financial year	6,804	2,674

23. OTHER FINANCIAL LIABILITIES

	Group		
	31 May 2019 $'000	31 May 2018 $'000	1 June 2017 $'000
Non-current			
Present value at the end of the financial year	829	–	–

Other financial liabilities pertains to the forward purchase contract in connection with the Group's further acquisition of the remaining 49% of the issued and fully paid-up share capital of MLCS and JLES as referred to Note 6 to the financial statements. As at the end of the reporting period, the other financial liabilities is measured at the present value of the exercise price for the forward purchase contracts which will be exercised on 1 August 2021 and 1 September 2022 with a corresponding entry to "other reserve" line item in the Group's equity (Note 21).

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

	Group
	31 May 2019
Discount rate	9.2%
Exercise price for forward purchase contracts	$'000
MLCS on 1 August 2021	102
JLES on 1 September 2022	1,080

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

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

The currency profile of other financial liabilities as at the end of the reporting period is Singapore dollar.

24. PROVISIONS

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Provision for reinstatement cost				
Balance at beginning of financial year	84	50	13	13
Provision made (Note 4)	8	14	8	-
Arising from acquisition of subsidiaries (Note 6)	31	20	-	-
Balance at end of financial year	123	84	21	13

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

25. TRADE AND OTHER PAYABLES

	Group			Company		
	31 May 2019 $'000	31 May 2018 $'000	1 June 2017 $'000	31 May 2019 $'000	31 May 2018 $'000	1 June 2017 $'000
Trade payables						
- third parties	149	121	68	12	–	–
- associate	–	–	15	–	–	–
	149	121	83	12	–	–
Other payables						
- third parties	321	118	137	–	–	–
- subsidiaries	–	–	–	280	105	182
- related parties	68	148	178	-	-	-
	389	266	315	280	105	182
Accrued expenses	2,260	1,808	668	712	564	227
Goods and services tax payable, net	331	248	98	76	77	46
Refundable deposits from customers	31	60	74	–	–	–
Total trade and other payables	3,160	2,503	1,238	1,080	746	455

Trade payables are unsecured, non-interest bearing and are normally settled between 30 to 60 (31 May 2018: 30 to 60; 1 June 2017: 30 to 60) days' credit terms.

The other payables due to subsidiaries and related parties are unsecured, non-interest bearing and repayable on demand.

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

26. BANK BORROWINGS

	Group and Company		
	31 May 2019 $'000	31 May 2018 $'000	1 June 2017 $'000
Unsecured			
Specific advance facility	–	1,000	–
Term loan			
- portion of term loan due for repayment within one year	500	750	–
- portion of term loan due for repayment after one year which is subject to a repayment on demand clause	–	500	–
	500	2,250	–

26. BANK BORROWINGS (CONTINUED)

During the financial year ended 31 May 2019, the average effective interest rates per annum of the bank borrowings were ranging from 2.32% to 3.1% (31 May 2018: 2.38% to 2.99%; 1 June 2017: Nil%). Bank borrowings are arranged at floating rates and are subject to financial covenants imposed by the bank.

Bank borrowings in respect of the term loan was not scheduled for repayment within 12 months from the end of the reporting period but were classified as current liabilities as the Group and the Company did not have the unconditional right at the end of the reporting period to defer settlement for at least 12 months after the end of the reporting period and the loan can be recalled by the bank lenders at any time even there is no default.

The Group and the Company are up-to-date with the scheduled repayments of the term loan and do not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group and the Company continue to meet the scheduled repayments. Further details of the management of liquidity risk are set out in Note 39.3 to the financial statements.

Term loan is repayable over 24 months commencing from January 2018 to December 2019.

As at the end of the reporting period, the Group and the Company had banking facilities as follows:

	Group and Company		
	31 May 2019	31 May 2018	1 June 2017
	$'000	$'000	$'000
Facilities granted	6,750	3,750	–
Facilities unutilised	6,250	1,500	–

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, borrowing or leasing arrangements at the end of the reporting period.

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

27. REVENUE

	Group	
	2019	2018
	$'000	$'000
Type of goods or services		
Provision of medical services	18,318	16,022
Timing of transfer of goods and services		
Point in time	18,318	16,022

The revenue of the Group are all generated within Singapore.

28. OTHER INCOME

	Group	
	2019	2018
	$'000	$'000
Loss allowance on third parties trade receivables written back	–	3
Government grants	92	50
Dividend income from financial assets at FVTPL	253	–
Interest income	131	107
Gain from disposal of plant and equipment	26	–
Gain from disposal of X-ray business	114	–
Others	28	68
	644	228

29. EMPLOYEE BENEFITS EXPENSES

	Group	
	2019	2018
	$'000	$'000
Salaries, bonuses and other short-term benefits	5,978	5,220
Employer's contributions to defined contribution plans	497	440
	6,475	5,660

Included in the employee benefits expenses were the remuneration of Directors of the Company, Directors of the subsidiaries and other key management personnel of the Group, as set out in Note 38 to the financial statements.

30. DEPRECIATION AND AMORTISATION EXPENSES

	Group	
	2019	2018
	$'000	$'000
Depreciation of plant and equipment	415	350
Amortisation of intangible assets	13	12
	428	362

31. FINANCE COSTS

	Group	
	2019	2018
	$'000	$'000
Interest expenses on bank borrowings	56	38

32. PROFIT BEFORE INCOME TAX

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

	Group	
	2019	2018
	$'000	$'000
Other expenses		
Audit fees		
- auditors of the Company	201	178
Impairment of goodwill	415	-
Loss arising from deemed disposal in an associate	-	147
Bad third parties trade receivables written off	2	18
Inventories written off	4	2
Fair value loss on derivative financial instruments	550	-
Administrative charges	194	164
Credit card charges	147	135
IT expenses	97	29
Plant and equipment written off	80	2
Professional fees	447	492

33. INCOME TAX EXPENSE

	Group	
	2019	2018
	$'000	$'000
Current income tax		
- current financial year	1,032	629
- under/(over) provision in prior financial years	10	(149)
	1,042	480
Deferred tax		
- current financial year	(24)	9
- under provision in prior financial year	-	64
	(24)	73
Total income tax expense recognised in profit or loss	1,018	553

33. INCOME TAX EXPENSE (CONTINUED)

Reconciliation of effective income tax rate

	Group	
	2019 $'000	2018 $'000
Profit before income tax	9,444	6,067
Share of results of an associate, net of tax	41	(572)
	9,485	5,495
Income tax calculated at Singapore's statutory income tax rate of 17% (2018: 17%)	1,612	934
Tax effect of expenses non-deductible for income tax purposes	132	73
Tax effect of income not subject to income tax	(539)	(1)
Tax effect of tax exempt income	(194)	(216)
Enhanced deduction and rebates	–	(5)
Deferred tax assets not recognised	5	13
Corporate tax rebate and incentive	–	(141)
Under/(over) provision of current income tax in prior financial years	10	(149)
Under provision of deferred tax in prior financial years	–	64
Utilisation of deferred tax assets not previously recognised	–	(31)
Others	(8)	12
	1,018	553

Unrecognised deferred tax assets

	Group	
	2019 $'000	2018 $'000
Balance at beginning of financial year	56	83
Adjustment resulting from change in temporary differences	(7)	(9)
Amount not recognised in profit or loss	5	13
Utilisation of unrecognised deferred tax assets	–	(31)
Balance at end of financial year	54	56

Unrecognised deferred tax assets are attributable to the following temporary differences computed at statutory income tax rate of 17% (2018: 17%):

	Group	
	2019 $'000	2018 $'000
Accelerated tax depreciation	4	15
Unutilised tax losses	47	39
Others	3	2
	54	56

33. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets (Continued)

As at 31 May 2019, the Group has unutilised tax losses of $276,000 (2018: $228,000) available for offset against future taxable profits subject to the agreement by the tax authorities and provisions of the tax legislations.

These deferred tax assets have not been recognised due to the unpredictability of future profit streams. Accordingly, these deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.22 to the financial statements.

34. EARNINGS PER SHARE

The calculation for earnings per share is based on:

	Group	
	2019	**2018**
Profit attributable to owners of the parent ($'000)	7,206	4,464
Weighted average number of ordinary shares in issue during the financial year applicable to earnings per share ('000)	149,042	149,205
Earnings per share (in cents)		
- Basic and diluted	4.83	2.99

The calculations of basic earnings per share for the relevant periods are based on profit attributable to owners of the parent for the financial years ended 31 May 2019 and 31 May 2018 divided by the weighted average number of ordinary shares in 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.

35. DIVIDENDS

	Group	
	2019	2018
	$'000	$'000
Final tax exempt dividend of $0.007 per ordinary share for financial year ended 31 May 2017	–	1,047
First interim tax exempt dividend of $0.011 per ordinary share for financial year ended 31 May 2018	–	1,641
Final tax exempt dividend of $0.010 per ordinary share for financial year ended 31 May 2018	1,492	–
First interim tax exempt dividend of $0.010 per ordinary share for financial year ended 31 May 2019	1,490	–
	2,982	2,688

The Board of Directors proposed that a final tax exempt dividend of $0.012 (2018: $0.010) per ordinary share amounting to $1,786,000 (2018: $1,492,000) to be paid for the financial year ended 31 May 2019. These dividends have not been recognised as a liability as at the end of the reporting period as it is subject to the approval of the shareholders at the Annual General Meeting.

36. CAPITAL COMMITMENTS

On 31 May 2019, the Company entered into a sale and purchase agreement for the acquisition of 25% of the issued and fully paid-up share capital in Medistar Services Pte. Ltd. ("Medistar"). The consideration for the acquisition amounted to $480,000 to be settled in cash. As at the end of the reporting period, an amount of $139,000 was paid as disclosed in Note 13 to the financial statements and the acquisition is not completed. As a result, the purchase consideration of $480,000 is contracted for but not provided in the financial statements.

37. OPERATING LEASE COMMITMENTS

The Group and the Company as lessee

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

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

	Group			Company		
	31 May 2019	31 May 2018	1 June 2017	31 May 2019	31 May 2018	1 June 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Within one financial year	1,009	892	963	204	144	231
After one financial year but within five financial years	567	824	1,384	132	114	126
	1,576	1,716	2,347	336	258	357

The Company as lessor

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

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

	Company		
	31 May 2019	31 May 2018	1 June 2017
	$'000	$'000	$'000
Within one financial year	30	96	168
After one financial year but within five financial years	–	30	126
	30	126	294

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

38. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
With associates				
Management fee income	4	12	4	12
Services rendered income	32	238	–	–
Services rendered expense	129	114	–	–
With subsidiaries				
Expenses paid on behalf of	–	–	4,264	3,493
Management fee income	–	–	1,896	2,009
Consultancy fee income	–	–	75	–
Advances from	–	–	165	4,905
Advances to	–	–	132	186
Dividend income	–	–	3,694	3,659
With a joint venture				
Loans to	536	–	536	–
With related parties				
Rental expense*	467	494	48	75
Advances from	–	79	–	–
With Directors of subsidiaries				
Advances from	–	69	–	–

* Rental expense relates to future minimum lease payable with related parties under non-cancellable operating leases contracted for but not recognised as liabilities have been included under Note 37 to the financial statements.

The outstanding balances as at 31 May with related parties are disclosed in Notes 13 and 25 to the financial statements. There are no outstanding balances with key management personnel.

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

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

The remuneration of Directors and other key management personnel of the Group during the financial years ended 31 May 2019 and 31 May 2018 were as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Directors of the Company				
- short-term employee benefits	1,372	1,197	298	263
- post-employment benefits	29	31	6	6
- Directors' fees	100	100	100	100
	1,501	1,328	404	369
Directors of the subsidiaries				
- short-term employee benefits	1,839	1,743	–	–
- post-employment benefits	118	115	–	–
	1,957	1,858	–	–
Other key management personnel				
- short-term employee benefits	518	529	339	291
- post-employment benefits	52	52	32	29
	570	581	371	320
	4,028	3,767	775	689

39. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

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

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which the risks are managed and measured.

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

39.1 Credit risks

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

The Group and the Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics. The Company has no significant concentration of credit risk, except for the amount due from subsidiaries and a joint venture amounting to $2,211,000 (31 May 2018: $2,905,000; 1 June 2017: $3,628,000) and $544,000 (31 May 2018: $Nil; 1 June 2017: $Nil) as at the end of the reporting period respectively.

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

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

Trade receivables

The Group determines expected credit losses on trade receivables from third parties by making individual assessment of expected credit loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, past due status of the trade receivables and adjusted with forward looking assumptions, as appropriate. Management takes into account historical provision trend and other relevant factors.

The expected credit loss computed is derived from historical data and credit assessment includes forward-looking information which management is of the view that customer conditions are representative at the reporting date.

The following table provides information about the exposure to credit risk and expected credit loss for third parties trade receivables as at 31 May 2019.

31 May 2019	Gross carrying amount $'000	Loss allowance $'000	Credit impaired
Group			
Not past due	1,715	–	No
Past due but not impaired			
- less than 1 month	98	–	No
- 1 to 3 months	18	–	No
- over 3 months	23	–	No
	1,854	–	

Management believes that no impairment allowance is necessary in respect of trade receivables as these are substantially companies with good collection track record and no recent history of default, hence the expected credit loss is not material.

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

39.1 Credit risks (Continued)

Trade receivables (Continued)

Comparative information applying the principles under FRS 39

In 2018, the impairment of financial assets was assessed based on the incurred loss impairment model. The ageing analysis of the Group's third parties trade receivables past due but not impaired is as follows:

	Group	
	31 May 2018 $'000	1 June 2017 $'000
Past due less than 1 month	54	3
Past due 1 to 3 months	3	9
Past due over 3 months	29	6

Based on historical default rates, the Group believes that no allowance for impairment loss on receivables is necessary in respect of the trade receivables.

Non-trade amounts due from third parties

The Group has assessed credit risk for non-trade amounts due from third parties based on 12-month expected loss basis which reflects the low credit risk of the exposures. Management is of the view that the amount of the allowance on remaining balances is insignificant.

Non-trade amount due from a joint venture

In determining the recoverability of receivable from the joint venture, the Company considers the financial strength and performance of the joint venture. Accordingly, management believes that no loss allowance on the amount due from joint venture is required.

Non-trade amounts due from subsidiaries

For non-trade amounts due from subsidiaries, the Board of Directors has taken into account information that it has available internally about these subsidiaries' past, current and expected operating performance and cash flow position. The Board of Directors monitors and assesses at each reporting date for any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by considering their financial performance and results. At the end of the reporting period, the Company has assessed its subsidiaries' financial performance to meet the contractual cash flow obligations and is of the view that expected credit loss allowance is $21,000 for non-trade amounts due from subsidiaries. Other receivables from remaining subsidiaries are considered to be low credit risk and subject to immaterial credit loss. Credit risk for these assets has not increased significantly since their initial recognition.

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

39.1 Credit risks (Continued)

Cash and cash equivalents

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Group and the Company held cash and cash equivalents of $5,027,000 and $2,061,000 as 31 May 2019 (31 May 2018: $4,988,000 and $2,366,000; 1 June 2017: $8,757,000 and $6,308,000). The cash and cash equivalents are held with banks and financial institutions counterparties, which are rated A3 to Aa1, based on Moody's ratings. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group and the Company consider that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Debt instruments at amortised cost

The Group has quoted debt securities of $2,000,000 (31 May 2018: $2,000,000, 1 June 2017: $Nil) which are exposed to credit risks. The expected credit losses on these quoted debt securities have been measured at 12 months expected loss basis. The Group has assessed the current financial performance of the issuer of these debt securities and concluded that these debt securities are subject to low credit risks.

39.2 Equity price risk

The Group's exposure to equity price risk relates primarily to equity investments in quoted equity securities which are classified as financial assets measured at fair value through profit or loss.

Further details of this equity investments can be found in Note 11 to the financial statements.

Equity price sensitivity analysis

At the end of the reporting period, if the price of the shares held had been 5% (2018: Nil%) higher/lower with all other variables held constant, the Group's profit or loss would have been approximately $406,000 (2018: $Nil) higher/lower, arising as a result of an increase/decrease in the fair value of equity securities classified as financial assets measured at FVTPL.

The equity price sensitivity analysis for unquoted equity investments classified as financial assets at fair value through profit or loss is disclosed in Note 39.5 to the financial statements.

39.3 Liquidity risks

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

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

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

39.3 Liquidity risks (Continued)

Contractual maturity analysis

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

	Within one financial year	After one financial year but within five financial years	Total
	$'000	$'000	$'000
Group			
31 May 2019			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding goods and services tax payable)	2,829	–	2,829
- Other financial liabilities	–	1,080	1,080
Interest bearing			
- Bank borrowings	506	–	506
	3,335	1,080	4,415
31 May 2018			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding goods and services tax payable)	2,255	–	2,255
Interest bearing			
- Bank borrowings	1,787	506	2,293
	4,042	506	4,548
1 June 2017			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding goods and services tax payable)	1,140	–	1,140
	1,140	–	1,140

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

39.3 Liquidity risks (Continued)

Contractual maturity analysis (Continued)

	Within one financial year $'000	After one financial year but within five financial years $'000	Total $'000
Company			
31 May 2019			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding goods and services tax payable)	1,004	–	1,004
Interest bearing			
- Bank borrowings	506	–	506
	1,510	–	1,510
31 May 2018			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding goods and services tax payable)	669	–	669
Interest bearing			
- Bank borrowings	1,787	506	2,293
	2,456	506	2,962
1 June 2017			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding goods and services tax payable)	409	–	409
	409	–	409

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

39.4 Capital management policies and objectives

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

The Group and the Company manage their capital structure which consist of equity attributable to owners of the parent, comprising issued share capital, treasury shares, merger reserve, capital reserve, other reserve and retained earnings as disclosed in Notes 17, 18, 19, 20, 21 and 22 to the financial statements and make adjustments to it, in light with changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 May 2018 and 31 May 2019.

The Group and the Company are subject to and have complied with financial covenants as disclosed in Note 26 to the financial statements for the financial year ended 31 May 2018 and 31 May 2019.

39.5 Fair value of financial assets and financial liabilities

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

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

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

Fair value hierarchy

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments that are not carried at fair value and whose carrying amounts approximate their fair values

The carrying amounts of the Group's and the Company's current financial assets and current financial liabilities that are not carried at fair value approximate their respective fair values as at the end of the reporting period due to the relatively short-term maturity of these financial instruments. The carrying amounts of the bank borrowings approximate their fair values as they are subject to floating interest rates.

The fair value of the quoted debt instruments is disclosed in Note 9 to the financial statements.

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

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

Fair values of financial instruments carried at fair value

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

	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Group				
2019				
Financial assets				
Financial assets at FVTPL				
- Quoted equity securities	8,119	–	–	8,119
- Unquoted equity securities	–	–	1,092	1,092
	8,119	–	1,092	9,211
Financial liabilities				
Derivative financial instruments	–	–	619	619
2018				
Financial assets				
Available-for-sale financial assets				
- Unquoted equity securities	–	–	1,028	1,028
Financial liabilities				
Derivative financial instruments	–	–	69	69
2017				
Financial assets				
Available-for-sale financial assets				
- Unquoted equity securities	–	–	536	536
Financial liabilities				
Derivative financial instruments	–	–	36	36

The carrying amounts of available-for-sale financial assets and financial assets at fair value through profit or loss are disclosed on the face of statements of financial position and in Note 10 and 11 to the financial statements.

There were no transfers between levels during the financial year and no changes in the valuation techniques of the various classes of financial assets and financial liabilities during the financial years ended 31 May 2019 and 31 May 2018.

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

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

Valuation policies and procedures

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

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13 *Fair Value Measurement* guidance.

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

39.6 Categories of financial instruments

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

	Group			Company		
	31 May 2019	31 May 2018	1 June 2017	31 May 2019	31 May 2018	1 June 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Held-to-maturity financial assets	–	2,000	–	–	2,000	–
Available-for-sale financial assets*	–	1,028	536	–	1,028	536
Debt instruments at amortised cost	2,000	–	–	2,000	–	–
Fair value through profit or loss						
- Derivative financial instruments	–	–	–	542	–	–
Financial assets at FVTPL	9,211	–	–	9,211	–	–
Financial assets at amortised costs/Loan and receivables (2018)	7,711	6,696	9,865	4,906	5,340	10,037
	18,922	9,724	10,401	16,659	8,368	10,573
Financial liabilities						
Financial liabilities designated at fair value through profit or loss	619	69	36	834	69	36
Other financial liabilities, at amortised cost (excluding goods and services tax payable)	4,158	4,505	1,140	1,504	2,919	409
	4,777	4,574	1,176	2,338	2,988	445

* Available-for-sale financial assets was reclassified to financial asset at FVTPL upon adoption of SFRS(I) 9. Refer to Note 11 to the financial statements for details.

40. SEGMENT INFORMATION

Business segment

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

Geographical information

During the financial year ended 31 May 2019 and 31 May 2018, the Group operated mainly in Singapore and all non-current assets were located in Singapore. Accordingly, an analysis of non-current assets and revenue of the Group by geographical distribution has not been presented.

Major customers

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

41. EVENTS AFTER THE REPORTING PERIOD

41.1 Incorporation of HC (Ming) Pte. Ltd.

On 6 June 2019, the Company incorporated a partially-owned subsidiary with 80% equity interest in Singapore, namely HC (Ming) Pte. Ltd. with a total issued and paid-up capital of $10. The remaining 20% equity interest of the subsidiary is held by Medistar Services Pte. Ltd.

41.2 Disposal of shares in HMC Medical Pte. Ltd. ("HMC")

On 5 July 2019, the Company entered into an agreement with Singapore Paincare Holdings Pte. Ltd. ("Purchaser") to dispose its 51% shareholdings held in a subsidiary, namely HMC which was fully satisfied by the allotment and issuance of 482 newly issued shares in the share capital of the Purchaser. The Company is in the midst of finalising the valuation of the share consideration.

41.3 Acquisition of Medistar Services Pte. Ltd. ("Medistar")

As disclosed in Note 36 to the financial statements, the Company had entered into a sale and purchase agreement but the acquisition in the equity interest of Medistar was not completed at the end of the reporting period. Management determined that the Group obtained significant influences over Medistar after the end of the reporting period and hence, did not recognised it as an associate. On 8 July 2019, the Company completed the acquisition of 25% of the total issued and paid-up share capital of Medistar and Medistar became an associate of the Company.

The Company is in the midst of finalising the purchase price allocation report of this acquisition. Accordingly, no disclosure on the effect of the acquisition has been made under the requirements of SFRS(I) 3 *Business Combinations* as the fair value of the net assets of the acquiree are not determinable as at the date of this report.

41. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

41.4 Incorporation of HC (AMK) Pte. Ltd.

On 19 July 2019, the Company incorporated a wholly-owned subsidiary in Singapore, namely HC (AMK) Pte. Ltd. with a total issued and paid-up capital of $2.00.

41.5 Strike off of CKH (Mt. E) Pte. Ltd. ("CME")

On 8 July 2019, CKH (Mt. E) Pte. Ltd. ("CME"), a wholly-owned subsidiary of the Company was struck off from the Accounting and Corporate Regulatory Authority ("ACRA") and the Company has since derecognised the subsidiary.

41.6 Issuance of convertible bond

On 26 July 2019, the Company entered into a 5.5% convertible bond agreement with an investor for an aggregate principal amount of $5,000,000, which is convertible in whole or in part into fully-paid ordinary shares in the capital of the Company at a conversion price of $0.5361 per conversion share and also grant a share option to be exercised in whole or in part, carrying the right to subscribe for such number of ordinary shares in the capital of the Company for an aggregate consideration of $5,000,000 at the exercise price of $0.62 per option share. The issuance of convertible bond was completed on 22 August 2019.

42. COMPARATIVE FIGURES

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

	2018 As previously reported $'000	2018 As reclassified $'000
Statement of comprehensive income		
Inventories, consumables and surgery expenses	(1,731)	(1,908)
Other expenses	(2,034)	(1,857)

STATISTICS OF SHAREHOLDINGS

AS AT 22 AUGUST 2019

SHARE CAPITAL

Class of Shares	:	Ordinary Shares
Number of issued and paid-up shares (excluding Treasury Shares)	:	148,805,730
Number of Treasury Shares	:	829,900
Number of subsidiary holdings	:	–
Number (Percentage) of Treasury Shares to total number of issued shares excluding Treasury Shares*	:	0.56%
Voting rights (excluding Treasury Shares)	:	One vote per ordinary share

* The Company does not have any subsidiary holdings

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings			No. of Shareholders	%	No. of Shares	%
1	-	99	0	0.00	0	0.00
100	-	1,000	35	9.91	22,200	0.02
1,001	-	10,000	136	38.53	866,884	0.58
10,001	-	1,000,000	164	46.46	13,930,923	9.36
1,000,001	and	above	18	5.10	133,985,723	90.04
Total			353	100.00	148,805,730	100.00

STATISTICS OF SHAREHOLDINGS

AS AT 22 AUGUST 2019

LIST OF 20 LARGEST REGISTERED SHAREHOLDERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE) LIMITED	66,310,880	44.56
2	DR. HEAH SIEU MIN	21,329,660	14.33
3	DR. CHIA KOK HOONG	11,584,480	7.78
4	YEO KHEE SENG BENNY	4,223,609	2.84
5	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,172,200	2.80
6	RHB SECURITIES SINGAPORE PTE LTD	3,448,000	2.32
7	LEO TING PING RONALD	3,415,629	2.30
8	HONG LEONG FINANCE NOMINEES PTE LTD	3,248,700	2.18
9	JESSIE LOW MUI CHOO	2,476,884	1.66
10	DBS NOMINEES PTE LTD	2,178,800	1.46
11	CITIBANK NOMINEES SINGAPORE PTE LTD	1,856,000	1.25
12	CHUA CHIN HENG ALAN	1,799,000	1.21
13	KGI SECURITIES (SINGAPORE) PTE. LTD	1,535,600	1.03
14	CHARLES TAN TSE KUANG (CHARLES CHEN SIGUANG)	1,458,781	0.98
15	SHINE VENTURE CAPITAL PTE LTD	1,308,900	0.88
16	APEX CAPITAL GROUP PTE LTD	1,270,000	0.85
17	UOB KAY HIAN PTE LTD	1,250,500	0.84
18	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	1,118,100	0.75
19	MAYBANK KIM ENG SECURITIES PTE LTD	936,300	0.63
20	LAI JIUNN HERNG	625,555	0.42
Total:		135,547,578	91.07

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders

Name of Shareholders	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Dr. Heah Sieu Min	63,988,980[(1)]	43.00	–	–
Dr. Chia Kok Hoong	34,753,440[(2)]	23.35	–	–

(1) 42,659,320 shares were held through Raffles Nominees (Pte) Ltd.

(2) 23,168,960 shares were held through Raffles Nominees (Pte) Ltd.

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 22 August 2019, approximately 30.79% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the SGX-ST Listing Manual Section B: Rules of the Catalist is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 180 Island Club Road, Level 3 Ballroom 3, The Singapore Island Country Club, Singapore 578774 on Thursday, 26 September 2019 at 2.00 p.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To lay before the meeting the Audited Financial Statements of the Company for the financial year ended 31 May 2019 and the Directors' Statement and the Auditor's Report thereon.

(Please see explanatory note 1)

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

   (a) Mr. Chong Weng Hoe (pursuant to Regulation 97) **(Resolution 1)**

   (Please see explanatory note 2)

   (b) Mr. Lim Chye Lai, Gjan (pursuant to Regulation 97) **(Resolution 2)**

   (Please see explanatory note 3)

3. To approve the payment of Directors' fees of $100,000/- for the financial year ended 31 May 2019.

(Resolution 3)

4. To declare a final dividend (tax-exempt one-tier) of $0.012 per ordinary share for the financial year ended 31 May 2019.

(Resolution 4)

5. To re-appoint BDO LLP as auditors of the Company and to authorise the Directors to fix their remuneration.

(Resolution 5)

AS SPECIAL BUSINESS

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

6. Authority to allot and issue shares

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

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

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

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

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

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

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

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

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

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

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

(Resolution 6)
(Please see explanatory note 4)

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

"That:

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

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

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

(Resolution 7)
(Please see explanatory note 5)

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

"That:

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

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

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

(Resolution 8)
(Please see explanatory note 5)

9. The Proposed Renewal of the Share Buy-Back Mandate

"That:

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

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

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

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

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

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

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

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

whichever is the earliest.

(c) in this Resolution:

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

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

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

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

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

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

(Resolution 9)
(Please see explanatory note 6)

BY ORDER OF THE BOARD

Ms. Lin Moi Heyang
Company Secretary

Singapore, 11 September 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:-

1. This Agenda is meant for discussion only as under the provisions of Section 201 of the Companies Act, Chapter 50 and Regulation 142 of the Company's Constitution, the Audited Financial Statements need to be laid before the meeting and hence, the matter will not be put forward for voting.

2. The key information of Mr. Chong Weng Hoe can be found on page 10 in the Annual Report. Mr. Chong Weng Hoe will, upon re-election as a Director of the Company, remain as the Non-executive Chairman and Independent Director.

3. The key information of Mr. Lim Chye Lai, Gjan can be found on page 11 in the Annual Report. Mr. Lim Chye Lai, Gjan will, upon re-election as a Director of the Company, remain as the Non-Independent Non-executive Director.

4. The ordinary resolution 6 above is to authorise the Directors of the Company from the date of the above Meeting until the next AGM to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 100 percent (100%) of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing Shareholders shall not exceed 50 percent (50%) of the issued share capital of the Company (excluding treasury shares and subsidiary holdings) at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

5. The ordinary resolutions 7 and 8 above are to authorise the Directors of the Company to offer and award shares pursuant to the HCSS Performance Share Plan as well as grant options under the HCSS Employee Share Option Scheme, provided that the aggregate number of shares to be issued shall not exceed 15% of the Company's issued shares, excluding treasury shares in the capital of the Company from time to time.

6. The ordinary resolution 9 above is to authorise the Directors from the date of the above AGM until the date of the next AGM, or the date by which the next AGM of the Company is required by law to be held or the date on which such authority is revoked or varied by the Shareholders in a general meeting, whichever is the earliest, to purchase up to 10 per cent (10%) of the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings). Please refer to the Appendix to this Annual Report for details.

NOTES:

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

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

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

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

Personal data privacy:

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

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr. Chong Weng Hoe and Mr. Lim Chye Lai, Gjan are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 26 September 2019 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(5) of the Listing Manual Section B: Rules of the Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the following is the information relating to the Retiring Directors as set out in Appendix 7F to the Listing Manual Section B: Rules of the Catalist of the SGX-ST:-

Name	Mr. Chong Weng Hoe	Mr. Lim Chye Lai, Gjan
Date of Appointment	28 September 2016	28 September 2016
Date of last re-appointment (if applicable)	26 September 2017	26 September 2017
Age	55	40
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the Nominating Committee and assessed the qualifications and experiences of Mr. Chong Weng Hoe, is of the view that he has the requisite experiences and capabilities to assume the duties and responsibilities as the Non-executive Chairman and Independent Director of the Company.	The Board, having considered the recommendation of the Nominating Committee and assessed the qualifications and experiences of Mr. Lim Chye Lai, Gjan, is of the view that he has the requisite experiences and capabilities to assume the duties and responsibilities as the Non-Independent Non-executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	• Non-executive Chairman and Independent Director • Chairman of the Remuneration and Nominating Committee • Member of the Audit Committee	• Non-Independent Non-executive Director • Member of the Audit, Remuneration and Nominating Committee
Professional qualifications	Please refer to the Board of Directors section in the Company's Annual Report 2019.	Please refer to the Board of Directors section in the Company's Annual Report 2019.
Working experience and occupation(s) during the past 10 years	Please refer to the Board of Directors section in the Company's Annual Report 2019.	Please refer to the Board of Directors section in the Company's Annual Report 2019.
Shareholding interest in the listed issuer and its subsidiaries	167,600 ordinary shares	220,000 ordinary shares

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name		Mr. Chong Weng Hoe	Mr. Lim Chye Lai, Gjan
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries		None	None
Conflict of Interest (including any competing business)		None	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer		Yes	Yes
Other Principal Commitments Including Directorships Past (for the last 5 years) Present		Past Directorships: • Regal International Group Ltd. • TÜV SÜD PSB Pte. Ltd. Present Directorships: • Keong Hong Holdings Limited	None
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name		Mr. Chong Weng Hoe	Mr. Lim Chye Lai, Gjan
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	Mr. Chong Weng Hoe	Mr. Lim Chye Lai, Gjan
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

HC SURGICAL SPECIALISTS LIMITED
(the "Company")
(Incorporated in the Republic of Singapore)
(Company Registration No. 201533429G)

PROXY FORM
ANNUAL GENERAL MEETING

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

I/We, ______________________________ (Name) ____________________ (NRIC / Passport Number)
of ____ (Address)
being a member/members of HC Surgical Specialists Limited (the "Company"), hereby appoint:

Name	NRIC/ Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/ Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the **Chairman of the Meeting**, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 180 Island Club Road, Level 3 Ballroom 3, The Singapore Island Country Club, Singapore 578774 on Thursday, 26 September 2019 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her discretion, as he/they may on any other matter arising at the AGM.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided)

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
1	Re-election of Mr. Chong Weng Hoe as Director		
2	Re-election of Mr. Lim Chye Lai, Gjan as Director		
3	Directors' Fees of S$100,000/- for the financial year ended 31 May 2019 (2018: S$100,000/-)		
4	Declaration of final dividend (tax-exempt one-tier) of S$0.012 per ordinary share for the financial year ended 31 May 2019 (2018: S$0.01 per ordinary share)		
5	Re-appointment of BDO LLP as Auditors of the Company		
6	Authority to issue ordinary shares		
7	Authority to issue shares under the HCSS Performance Share Plan		
8	Authority to issue shares under the HCSS Employee Share Option Scheme		
9	Proposed Renewal of the Share Buy-Back Mandate		

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick [√] within the relevant box provided. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant resolution,

Dated this ________ day of___________, 2019

Total number of Shares held:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature/Common Seal of Member(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

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

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

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

4. A corporation which is a member of the Company may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Act.

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

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the holding of the Annual General Meeting.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 11 September 2019.

HC Surgical Specialists Limited

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Tel: **+65 6205 0345**

Fax: **+65 6200 1537**

Email: **contact@hcsurgicalspecialists.com**